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Financial and Economic
Review

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BRITISH
COLUMBIA

Ministry of Finance

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Introduction

General Description of the Province

British Columbia is located on Canada's Pacific coast, and has a land and freshwater area of 95 million hectares. It is Canada's third largest province and comprises 9.5 per cent of the country's total land area.

Geography

The province is nearly four times the size of Great Britain, 2.5 times larger than Japan and larger than any American state except Alaska. BC's 7,022-kilometre coastline supports a large shipping industry through ice-free, deep-water ports. The province has about 8.5 million hectares of grazing land, 1.8 million hectares of lakes and rivers, and 950,000 hectares of agricultural land that is capable of supporting a wide range of crops.

Physiography

BC is characterized by mountainous topography, but also has substantial areas of lowland and plateau country. The province has four basic regions, a northwesterly trending mountain system on the coast, a similar mountain system on the east, and an extensive area of plateau country between the two. The northeastern corner of the province is lowland, a segment of the continent's Great Plains.

The western system of mountains averages about 300 kilometres in width and extends along the entire BC coast and the Alaska panhandle. The Coast Mountains contain some of the tallest peaks in the province. The western system includes the Insular Mountains that form the basis of Vancouver Island and the Queen Charlotte Islands. These islands help to shelter the waters off the mainland coast of BC, which form an important transportation route for people and products.

The interior of the province is a plateau of rolling forest and grassland, 600 to 1,200 metres in average elevation. North of Prince George the interior becomes mountainous, but plateau terrain returns just south of the Yukon boundary in the area drained by the Liard River. The southern interior's water system is dominated by the Fraser River, which has a drainage area covering about one-quarter of the province. The Rocky Mountains, in the eastern mountain system, rise abrupdy on the southern BC-Alberta boundary and are cut by passes that provide dramatic overland transportation routes into the province. The Rocky Mountain Trench lies immediately to the west of the Rockies. This extensive valley, the longest in North America, is a geological fault zone separating different earth plates. It is the source of many of BC's major rivers, including the Peace, Columbia and Fraser.

Climate and Vegetation

Coastal BC has abundant rainfall and mild temperatures associated with a maritime climate. The Pacific coast has an average annual rainfall of between 155 and 440 centimetres, while the more sheltered coasts of eastern Vancouver Island and the mainland along the Strait of Georgia average between 65 and 150 centimetres. Canada's longest frost-free periods of over 180 days per year are enjoyed along the edges of the coastal zone and far inland along the Fraser River valley. Temperatures fall quickly up the steep slopes of the Coast Mountains. The predominant trees in this coastal region are the western hemlock, western red cedar and balsam (amabilis fir) in the wetter parts, and Douglas fir and grand fir in the drier areas.

BC's interior region has a mainly continental type of climate, although not as severe as that of the Canadian prairies. Considerable variation in climate occurs, especially in winter, as mild Pacific storms bring relief from cold spells. The southern interior has the driest and warmest climate of the province. In the valleys, annual precipitation ranges from less than 30 centimetres to 50 centimetres, while daily temperatures can average over 20 degrees Celsius in July and just under freezing in January. The climate becomes more extreme further north and precipitation increases. The frost-free period in the north is short and variable. Lodgepole pine is the dominant tree of commercial value in the interior.

The northeast region of the province is an extension of the western prairie region of Alberta. It has a continental climate that is more extreme than that of the northern interior region. However, it does have long hot summers and a frost-free period long enough to grow grain, forage and other crops.

Population

British Columbia is the third largest Canadian province in terms of population, which was estimated at 4.1 million persons or about 13 per cent of Canadians on July 1, 2003. British Columbia's population grew at an average annual compound rate of 1.0 per cent between 1996 and 2003, an average 0.1 per cent faster than the growth of the Canadian population as a whole.

Vancouver, a principal Canadian shipping, manufacturing and services centre, has the largest urban population in British Columbia and was the third largest metropolitan area in Canada with a population of 2,126,806 persons in 2003. Victoria, the capital of British Columbia, is located on Vancouver Island and its regional district had a population of 340,132 persons in 2003.

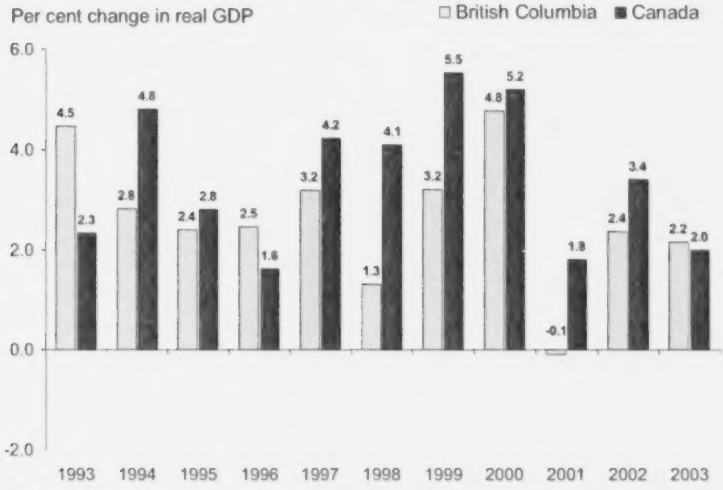
Chapter One
Economic Review[1]

[1] Reflects information available as of July 6, 2004.

2003 Overview

The British Columbia economy grew 2.2 per cent in 2003, after rising 2.4 per cent in 2002. British Columbia and other provinces were hit by a number of external shocks in 2003. These included the rapid rise in the Canadian dollar, the SARS outbreak, forest fires, floods and Bovine Spongiform Encephalopathy (BSE).

Chart 1.1 Canada and British Columbia economic growth



Source: Statistics Canada

Consumer spending on durable goods was weak in 2003, but this was offset by high consumer demand for services. The housing sector also recorded another dramatic increase in 2003 propelled by low mortgage rates. The number of people employed in the province rose faster than the size of the labour force and as a result the unemployment rate fell to 8.1 per cent in 2003.

External Environment

During 2003, the North American economy benefited from the recovery of the U.S. economy. Economic growth in the U.S. gained strength throughout the year, posting 8.2 per cent annualized growth in the third quarter, 4.1 per cent in the fourth quarter and 3.9 per cent in the first quarter of 2004.

United States Economy

By mid-2003, U.S. growth was more broadly-based as business sector investment picked up in response to improving profits. This gave rise to increased confidence that the economic recovery would be sustained. However, the U.S. labour market was slow to show signs of improvement. Payroll employment in the U.S. fell 0.3 per cent in 2003, but has improved so far in 2004.

Overall, the U.S. economy grew 3.1 per cent in 2003, up from 2.2 per cent in 2002. Non-residential business investment rebounded in the latter half of 2003 to post growth of 3.0 per cent for the year. U.S. retail sales were up 5.4 per cent in 2003 as low interest rates and the strong housing and auto sales

markets continued to boost durable goods sales. Residential construction was strong in 2003 with housing starts reaching almost 1.9 million units, an increase of 8.1 per cent from 2002.

Canadian Economy

The Canadian economy grew an estimated 2.0 per cent in 2003 as the rapid appreciation of the Canadian dollar, SARS and the Ontario blackout were a drag on Canada's economic growth. However, unlike the U.S., employment in Canada was robust in 2003, rising 2.2 per cent. Nominal exports were hit hard by the appreciation of the dollar, and fell 1.4 per cent as a result. Retail sales grew 3.8 per cent in 2003, compared to a growth rate of 6.4 per cent in 2002. A decline in purchases of new motor vehicles led the slow down.

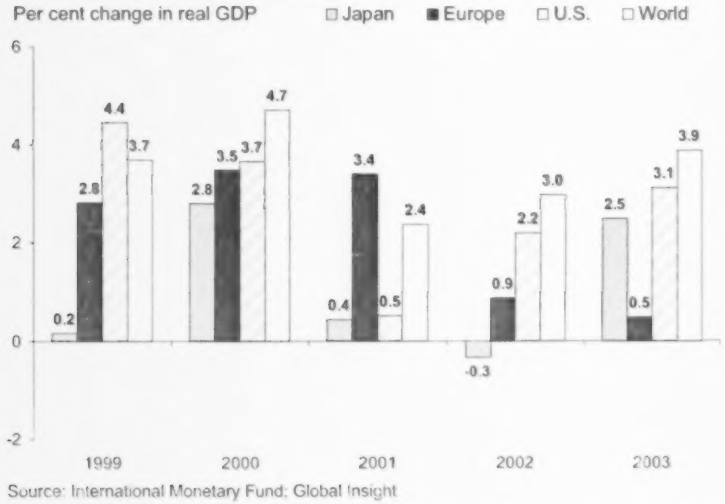
International Economy

Overseas, economic conditions improved in Japan. Japanese real GDP rose 2.5 per cent in 2003, following a decline of 0.3 per cent in 2002, and marginal growth of 0.4 per cent in 2001. The recovery of the export and business sectors, particularly in the last quarter of 2003, led the recovery. The impressive growth rate continued into the first quarter of 2004, where the Japanese economy expanded at an annualized 6.1 per cent.

Elsewhere, the European economy continued to face challenges and the rate of economic growth fell to 0.5 per cent in 2003 after 0.9 per cent in 2002.

The International Monetary Fund estimates that world growth in real gross domestic product rose from 3.0 per cent in 2002 to 3.9 per cent in 2003. Rapidly expanding Asian economies, including China, are the leading cause for the high growth rate.

Chart 1.2 External economic growth



Source: International Monetary Fund; Global Insight

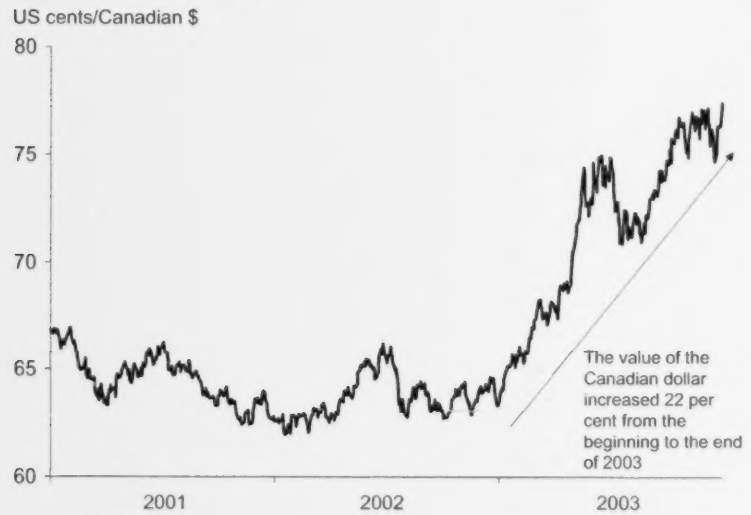
Financial Markets

Canadian interest rates rose through the first half of 2003 then fell through the last half, and into the first quarter of 2004. In mid-2003, the U.S. federal funds target rate was reduced to 1.0 per cent. On June 30, 2004, the Fed increased the rate by 25 basis points due to output expansion and improved labour conditions.

The relative lack of movement in U.S. interest rates reflected the low inflation environment, excess capacity and lagging labour markets in the U.S. economy. At the same time, Canada's economy was reacting to a rapid appreciation in the Canadian dollar, and several external shocks.

The value of the Canadian dollar rose against the U.S. dollar throughout 2003. For the year, the currency averaged 71.4 cents U.S., up 7.7 cents U.S. from 2002. In January of 2004, the Canadian dollar noon-rate peaked at 78.8 cents U.S., a 10-year high.

Chart 1.3 Canadian dollar



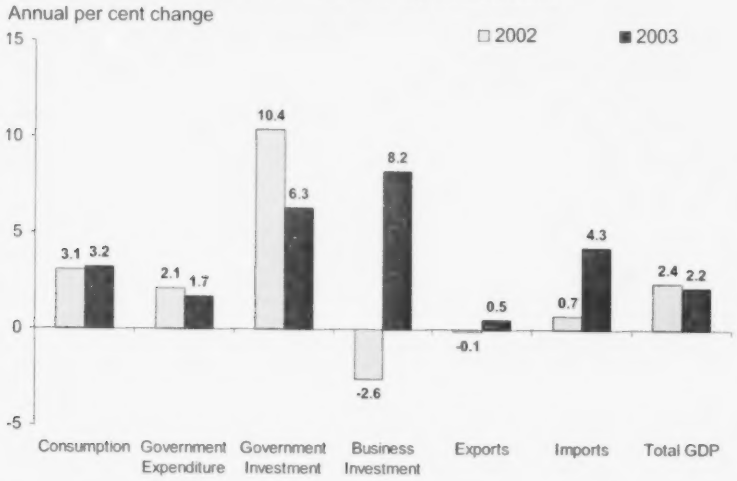
Source: Bank of Canada

British Columbia Economy[2]

The British Columbia economy grew 2.2 per cent in 2003, following a 2.4 per cent increase in 2002. The growth in 2003 was attributable to strong demand for consumer services coupled with a rebound in business and residential investment.

[2] GDP estimates are based on Statistics Canada's preliminary Provincial Accounts for 2003, released in April 2004. Further information on British Columbia's economic performance will be released in November 2004, when Statistics Canada releases revised GDP data for 2003 and previous years.

Chart 1.4 British Columbia real GDP by component



Source: Statistics Canada

Domestic demand remained relatively robust with a sizable rise in the demand for services offsetting weak demand for durable goods, especially auto sales. Residential investment remained strong, with housing starts increasing 21.0 per cent over 2002. Total employment rose 2.5 per cent in 2003 and the annual unemployment rate fell to 8.1 per cent.

Business investment rebounded in 2003, due to another sizable increase in residential construction and gains in machinery and equipment investment and non-residential structures. The total value of imports rose more than exports, which was a drag on economic growth.

Capital Investment

Total public and private capital investment[3] in the province rose 6.1 per cent to $24.4 billion in 2003. The rise was due to increases in both public and private investment. Public sector investment was up 4.7 per cent, and private sector investment, which accounts for just over 80 per cent of total investment, increased 6.4 per cent. After a sharp decline in major capital spending in the mining, quarrying and oil well industry in 2002, investment in the industry rebounded with a 26.8 per cent increase in 2003. Investment in arts, entertainment and recreation doubled in 2003. Despite the overall rise, declines were apparent in some industries. The transportation and warehousing, information and cultural, and finance and insurance industries saw the most substantial declines in investment over the year.

Housing investment soared, and continued to be the largest dollar value increase by any industry, growing 17.6 per cent in 2003 to $7.8 billion. This gain reflected low mortgage interest rates and rising housing starts through the year.

[3] Investment figures are nominal and are generated by Statistics Canada based on a survey of British Columbia businesses, institutions and government.

Investment figures for 2003 include spending on major capital projects across the province including:

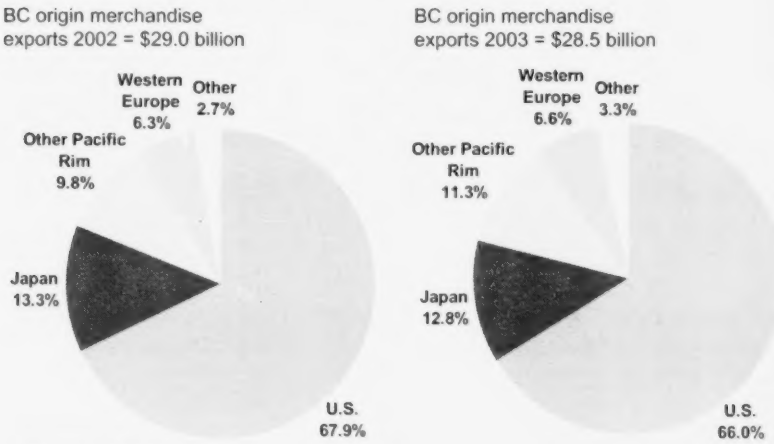
- Vancouver General Hospital Redevelopment;
- Prince George Regional Hospital;
- University of British Columbia Life Sciences Centre;
- Nisga's Highway;
- Vancouver Convention Centre Expansion Project; and
- Improvements to several dams in the province.

Exports

The value of foreign merchandise exports fell 1.9 per cent in 2003. Exports to the U.S., the province's largest trading partner, fell 4.5 per cent, due to a broadly based decline. The value of exports to Japan dropped 5.9 per cent, led by declines in forestry and energy products. Exports to the Pacific Rim, excluding Japan, jumped 14.0 per cent, and exports to Western Europe rose 1.9 per cent. Appendix Table A1.7 provides detail on exports by major market and commodity.

As a result, the U.S. was the destination of a slightly smaller share of British Columbia exports in 2003, accounting for 66.0 per cent. Japan's share fell to 12.8 per cent. The Pacific Rim (excluding Japan) received 11.3 per cent of BC's exports, up from 9.8 per cent in 2002 (see Chart 1.5).

Chart 1.5 Export shares by market, 2002 and 2003



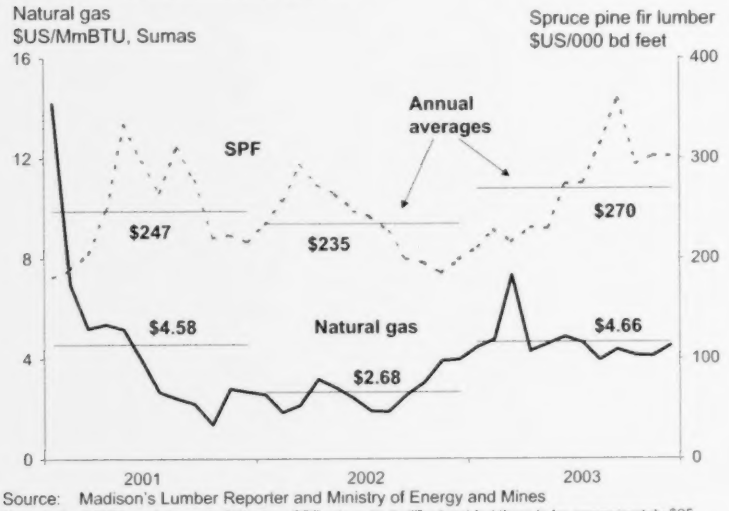
Source: BC Stats

The strong Canadian dollar was the main reason for the decline in the value of exports in 2003, particularly to the U.S. The rapid appreciation of the Canadian dollar relative to the U.S. dollar made our goods and services considerably more expensive for U.S. consumers.

The softwood lumber dispute with the United States has affected exports in a negative way. The U.S. duties were about 27 per cent on Canadian softwood lumber that crossed the border during 2003. The affects of the tariff became clear as the value of BC lumber products exported to the U.S. fell by 20.5 per cent.

- Lumber prices averaged $270 U.S. per thousand board feet in 2003, up from $235 U.S. in 2002.
- Pulp prices averaged $523 U.S. per tonne in 2003, up significantly from $463 U.S. in 2002.
- Newsprint prices followed suit, averaging $501 U.S. per tonne, up from $468 U.S. in the previous year.

Chart 1.6 Key commodity prices



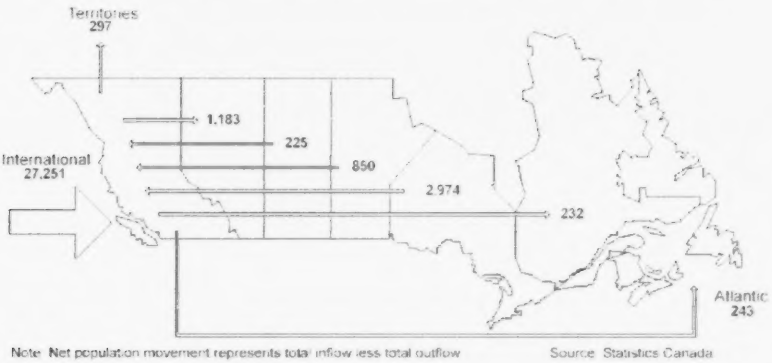
Source: Madison's Lumber Reporter and Ministry of Energy and Mines
Note: In April 2003, restatement of Western SPF prices (to "mill" prices) led them to be approximately $25 higher than the old prices. Data prior to April 2003 has not been adjusted for this change.

Canadian natural gas prices rose quickly in the first few months of 2003, peaking at US$7.3/MmBTU in March before falling back to the US$4.0 to US$5.0 range. Nevertheless, natural gas prices were up 73.9 per cent in 2003.

Population and Labour Force Characteristics

Historically, British Columbia's population has grown faster than Canada's due to large net inflows of people from the rest of the country and immigrants from other countries. This changed after 1997. The province's population growth slowed due to a net outflow of people to other parts of Canada. Hence, overall net migration remained positive due to the strength of immigration from other countries. This trend was brought to an end in 2003, as BC's net interprovincial migration was positive for the first time since 1997.

Map 1.1 Net interprovincial and international migration in BC, 2003

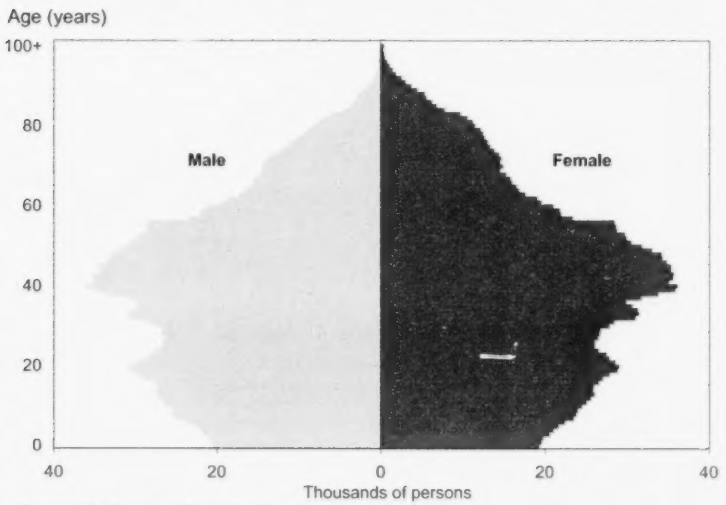


Note: Net population movement represents total inflow less total outflow Source: Statistics Canada

Growth in the provincial labour force has been robust over the past several years, with the exception of 1998 and 2001 when general economic indicators were weaker. The labour force expanded by 2.1 per cent in 2003, while the overall level of employment rose by 2.5 per cent. The average annual unemployment rate fell to 8.1 per cent in 2003 as a consequence.

The baby boom population in Canada is typically thought to be those born between 1947 and 1964. This generation is quite apparent in the BC population (see Chart 1.7), now between 40 and 57 years old. A significant portion of this generation will be retiring within the next couple of decades, causing a demographic shift in the BC labour force.

Chart 1.7 British Columbia population by age and sex, 2003



Source: BC Stats and Statistics Canada

Labour and Income Developments

Annual average employment rose by 2.5 per cent, or 49,900 jobs, in 2003. Employment ended the year at 2,071,400 jobs, an increase of 4.2 per cent, or 83,400 jobs, compared to December 2002. Employment gains were observed in all of the major sectors. Average annual employment in the primary industries

rose 17.0 per cent in 2003, adding 11,700 jobs to the total. The manufacturing industry expanded by 9,200 jobs, or 4.7 per cent.

Employment in the service industries grew 1.7 per cent in 2003. The number of people employed in education services rose by 4.4 per cent, or 6,200 positions over the year. The number of jobs in business management increased by 7,300, or 9.8 per cent. These increases were partially offset by job loss in the health and welfare services industry, and also the accommodation and food services industry (see Table A1.5 for more details).

Table 1.1 British Columbia Population and Labour Market Statistics

	Units	1999	2000	2001	2002	2003
Population (as at July 1)	(thousands)	4,011	4,039	4,078	4,115	4,147
	(% change)	0.7	0.7	1.0	0.9	0.8
Net Migration						
International		28,644	29,266	35,509	27,576	27,251
Interprovincial		-12,413	-14,783	-7,278	-7,117	2,094
Labour Force	(thousands)	2,079	2,101	2,104	2,158	2,202
	(% change)	1.4	1.0	0.2	2.6	2.1
Employment	(thousands)	1,906	1,949	1,942	1,973	2,023
	(% change)	1.9	2.2	-0.3	1.6	2.5
Unemployment Rate	(%)	8.3	7.2	7.7	8.5	8.1

Source: Statistics Canada

Prices and Wages

The British Columbia Consumer Price Index (CPI) increased by 2.1 per cent in 2003 after rising by 2.3 per cent in 2002. Tuition prices increased the most of the index's categories during 2003 by 23.1 per cent compared to 2002. Gasoline prices were up 9.4 per cent, and increased tobacco taxes led to a 14.9 per cent price hike in tobacco products in 2003.

Table 1.2 Price and Earnings Indices

	Units	1999	2000	2001	2002	2003
Consumer Price Index	(1992=100)	111.2	113.3	115.2	117.9	120.4
(British Columbia)	(% change)	1.1	1.9	1.7	2.3	2.1
Average weekly earnings	($)	625.2	636.9	645.7	667.4	683.4
	(% change)	1.1	1.9	1.4	3.4	2.4
Wages and salaries	($ millions)	56,263	60,270	61,496	63,193	65,209
	(% change)	3.9	7.1	2.0	2.8	3.2
Personal income	($ millions)	101,465	107,452	109,903	111,852	114,547
	(% change)	3.4	5.9	2.3	1.8	2.4
Corporate profits (pre-tax)	($ millions)	9,309	11,381	11,214	10,563	11,878
	(% change)	26.9	22.3	-1.5	-5.8	12.4

Source: Statistics Canada

Wages and salaries increased 3.2 per cent in 2003, reflecting employment growth, and increases in average weekly earnings. This also led to an increase in total personal income of 2.4 per cent. Corporate profits rebounded after two years of decline, rising 12.4 per cent compared to 2002.

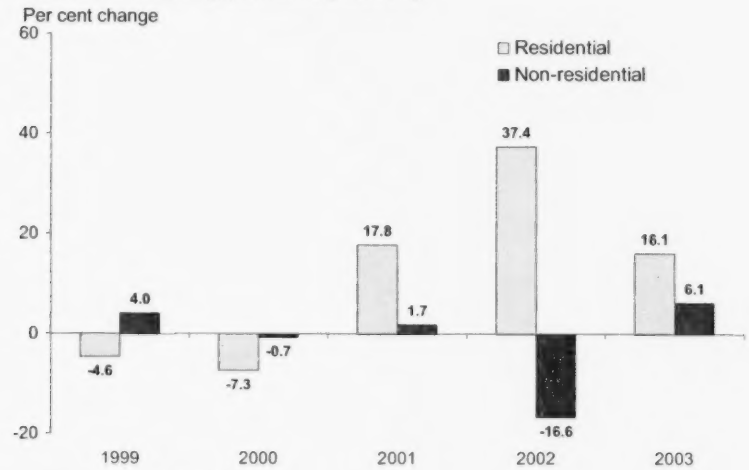
Consumer Expenditure and Housing

Real consumer spending picked up to a 3.2 per cent growth rate through the year due to strong demand on the services side of the sector. Growth in the goods side was weak however, as the total value of retail sales rose just 2.6 per cent in 2003, much slower than the pace observed in recent years. The decline was mainly due to the slowdown in purchases of large consumer durables, particularly new motor vehicles.

Housing starts soared in the province through the year as mortgage interest rates remained at historical lows. For 2003, housing starts totaled 26,174 units, a 21.0 per cent increase from 2003.

As a result of improving housing demand and flat prices, the value of residential building permits rose 16.1 per cent to $4.5 billion. The housing sector boom resulted from a combination of several factors. Another year of strong employment growth, very low mortgage rates, the scarcity of dwellings available for rent or sale, and rising disposable income together created exceptional conditions that attracted consumers to the new home market. The value of non-residential building permits also rose 6.1 per cent to $1.9 billion.

Chart 1.8 Building permits by activity



Source: Statistics Canada

Industrial Structure and Performance

The province's rich endowment of natural resources and their development historically formed the backbone of British Columbia's economic structure. In the past, the economy was largely based on primary and secondary forest production. Other natural resource sectors, such as agriculture, mining (including oil and gas) and fishing (including aquaculture) also contributed significantly.

With abundant natural resource-based products and a population too small to support local production of a full range of manufactured goods and associated services, the province specialized in certain sectors, relying heavily on international and interprovincial trade for the exchange of goods and services. This meant that economic activity in all sectors was sensitive to developments in world markets and fluctuations in international commodity prices.

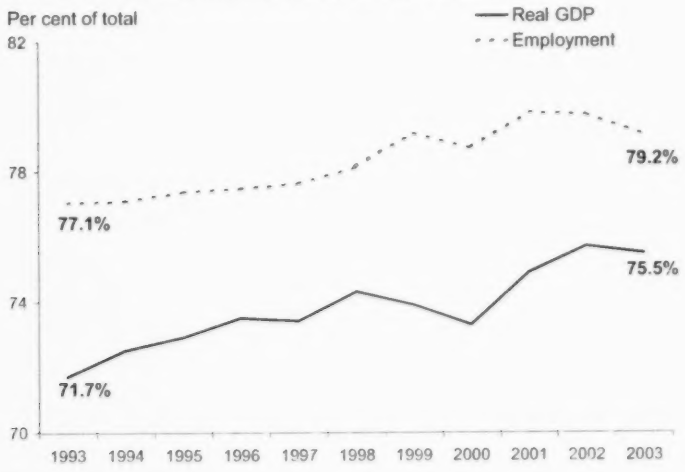
In recent years, a more diversified economy has emerged, supported by many non-resource activities such as film, tourism, high-technology industries including software and biotechnology, and other value-added industries. The British Columbia economy is steadily maturing into a more broadly based structure that is becoming less vulnerable to changes in international markets for natural resources.

Cyclical shifts in the goods sector cause it to grow faster or slower than the service sector in different years, but the basic trend over the past decade has been a decline in the importance of the goods sector to overall GDP and employment, and an increase in the importance of the service sector (see Chart 1.9).

In total, the goods-producing sector, including the construction and utilities industries, produced 24.5 per cent of the province's total output in 2003. This compares to 28.3 per cent a decade earlier.

Service-producing industries generated 75.5 per cent of the total provincial gross domestic product in 2003. Industries within the service sector include: transportation, communications and storage; wholesale and retail trade; finance, insurance and real estate; community, business and personal services; and public administration and defense.

Chart 1.9 Service industries in British Columbia



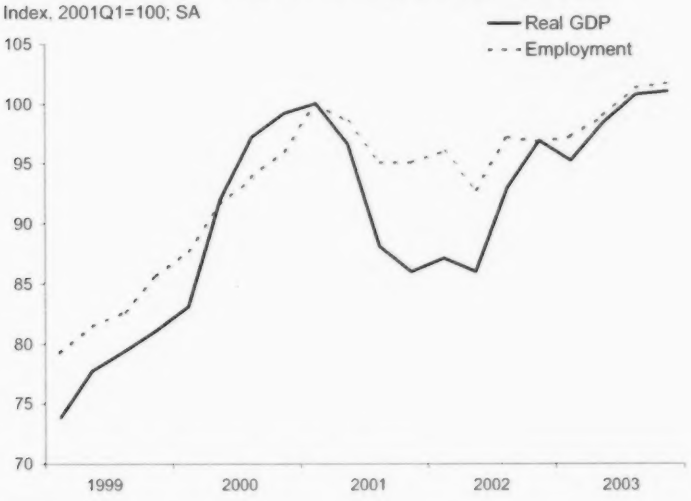
Source: Statistics Canada

High Tech

The high technology sector is a leading performer in British Columbia's economy, outperforming other sectors in revenue, employment, and wage and salary growth in most years. The global meltdown in high tech in 2001 also affected British Columbia's high tech goods sector. In 2003 however, the high technology industry rebounded, again growing faster than the economy as a whole.

Total real output from the high tech sector jumped by 8.9 per cent in 2003. Revenues expanded by 6.9 per cent, and wages and salaries were up 7.3 per cent. The total number of people working in the province's high tech sector rose 4.3 per cent to total 47,000 jobs in 2003 (see Table A1.14).

Chart 1.10 Trends in high technology employment in BC

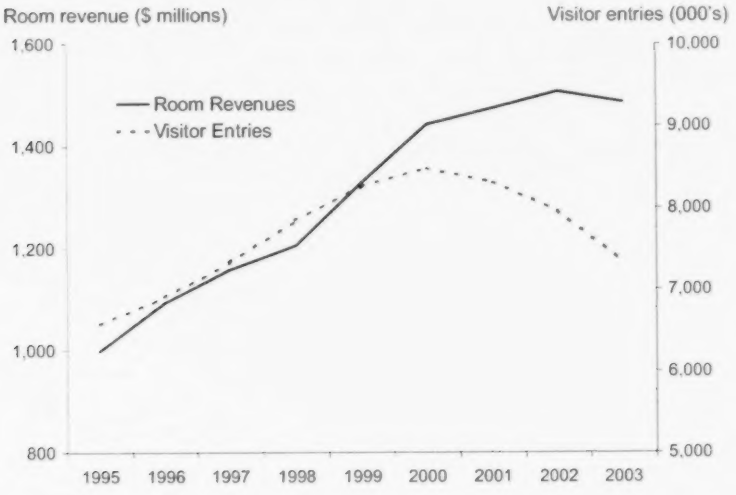


Source: BC Stats

Tourism

The tourism industry was hit hard in 2003 from the rapid appreciation of the Canadian dollar and other shocks (such as forest fires and SARS) that kept travelers away. The number of international visitors entering BC declined by 7.9 per cent in 2003, and as a result, total room revenues fell by 1.3 per cent.

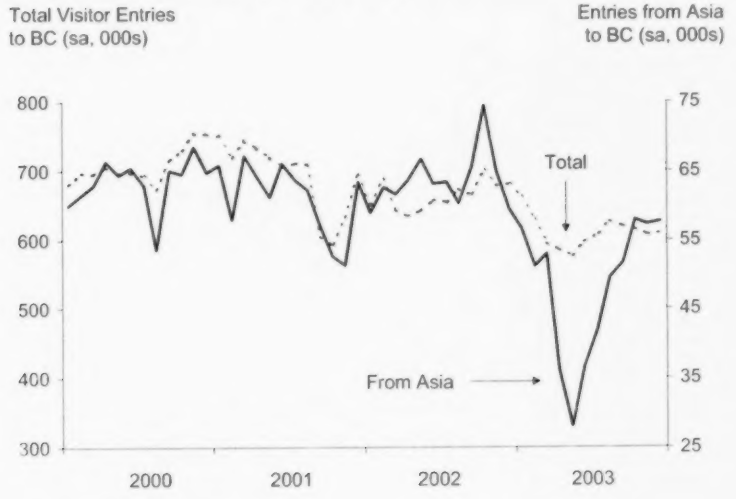
Chart 1.11 BC Tourism industry



Source: BC Stats

The number of visitors from Asia suffered a significant decline following the SARS outbreak. However, by the end of the year entries from Asia rebounded to almost the level they were at prior to the scare.

Chart 1.12 Visitor entries from Asia



Sources: Statistics Canada, BC Stats

Revitalizing the Economy

British Columbia is committed to building a strong and vibrant economy characterized by new investment, new job opportunities and a higher standard of living for British Columbians. Some aspects of the strategy that have been implemented are discussed in this section.

Deregulation

As part of the deregulation initiative more than 113,440 net regulatory requirements have been eliminated since June 2001, providing greater flexibility and making the province an attractive location to do business.

The province is already reaping the benefits of deregulation. For example, increased sales of petroleum, oil and gas rights reflect, in part, recent streamlining and regulatory reform efforts. Land use decisions in the Heartlands have also been streamlined, saving time and money, while protecting provincial interests. The move to a regulatory environment that is SMART (Sound, Modern, Accountable, Results-Based and Transparent) – a comprehensive and innovative approach to regulatory reform – is attracting international attention and boosting BC's competitiveness.

Transportation Infrastructure Plan

In February 2003 the government announced a multi-year plan to build an integrated and competitive transportation system throughout BC.

An effective highway system is reliable and allows goods and services to move through the province efficiently. Rehabilitation, such as repaving, extends the life of our existing provincial highways and bridges and keeps maintenance costs to reasonable levels.

The government is presently engaged in several capital projects including the Sea to Sky highway improvement project, the Okanagan lake bridge project, the Border infrastructure program and the Vancouver Gateway program.

Forestry Policy Reform

The forest industry remains a cornerstone of the British Columbia economy. In 2003, legislation was passed that fundamentally changed the way the forest sector is managed. These changes include the reallocation of timber rights and market-based policy reforms to forest tenure and revenue administration. The objective is to create a more competitive, dynamic forest industry that will contribute sustainable well-paying jobs to BC's economy.

Energy Plan

In 2003 the government unveiled a new energy plan designed to capitalize on BC's competitive advantage in energy. Since the introduction of the plan:

- legislation has been passed to confirm public ownership of BC Hydro's core generation, transmission and distribution assets, and to implement the Heritage Contract to preserve the benefits of low-cost generation for BC ratepayers;
- the BC Transmission Corporation, the publicly owned, independent transmission operator, has been created to provide greater access to transmission lines for independent power producers;
- BC Hydro's goal is that 50 per cent of BC's future power needs will be met from clean energy sources. Hydro has already made the largest offer to purchase green energy in BC's history and this could result in up to $800 million in private sector energy projects and create up to 1,000 construction jobs throughout the province.

Oil and Gas

BC's potential oil and gas reserves are immense. In May 2003, the government announced the Oil and Gas Development Strategy for the Heartlands to promote all-season oil and gas activity, attract industry investment, and generate revenue. The Strategy is targeted at increasing natural gas production by 17 per cent, and the number of wells drilled by 31 per cent by 2006/07.

Competitive Tax Regime

In 2001, the government initiated various changes to ensure BC's tax regime was competitive. After cutting personal income taxes by 25 per cent, the overall level of taxes for British Columbia families are the second lowest in the country. The province also has the lowest income tax rates in the country for the bottom two tax brackets.

A substantial investment has also been made in restoring BC's business tax climate. The province's ability to attract and retain investment has dramatically improved due to a lower corporate income tax rate, the elimination of the general corporate capital tax, a sales tax exemption for production machinery and equipment, and sector specific tax reductions.

Conclusion

So far this year the BC economic outlook is positive. Continued strength in the housing market as well as rebounds in retail sales and manufacturing, are leading to more optimistic forecasts for economic growth. An average of seven private sector forecasts as of July 2004 call for real GDP growth of 2.8 per cent in 2004 followed by 3.3 per cent in 2005.

Appendix 1

Table A1.1 Summary of Economic Activity for British Columbia

	Units	1990	1991	1992	1993
Annual aggregate indicators					
Population [1]	(thousands)	3,291	3,373	3,468	3,567
Nominal gross domestic product (at market prices)	($ millions)	79,350	81,849	87,242	94,077
Real gross domestic product (chained 1997 $)	($1997 millions)	95,722	95,897	98,373	102,770
Personal income	($ millions)	72,038	75,336	78,610	81,914
Capital investment	($ millions)	-	17,370	17,979	18,875
Business incorporations	(number)	19,550	18,528	20,406	22,955
Labour statistics					
Labour force	(thousands)	1,700	1,749	1,804	1,856
Employment	(thousands)	1,555	1,573	1,620	1,676
Unemployment rate	(per cent)	8.6	10.1	10.2	9.7
Prices and earnings					
Consumer price index (British Columbia)	(1992=100)	92.4	97.4	100.0	103.5
Consumer price index (Vancouver)	(1992=100)	92.3	97.1	100.0	103.6
Average weekly wage rate [2]	($)	-	-	-	-
Wages and salaries [2]	($ millions)	-	-	-	-
Personal income per capita	(dollars)	21,889	22,335	22,667	22,964
Personal disposable income per capita	(dollars)	17,009	17,313	17,458	17,806
Financial indicators					
Prime rate	(per cent)	14.06	9.94	7.48	5.94
Canada/U.S. exchange rate	(U.S. cents)	85.71	87.28	82.73	77.51
Conventional (5 year) mortgage rate	(per cent)	13.35	11.13	9.51	8.78
Other indicators					
Manufacturing shipments	($ millions)	-	-	24,398	26,583
Retail sales [3]	($ millions)	-	24,772	25,938	28,187
Housing starts	(number)	36,720	31,875	40,621	42,807
Non-residential building permits	($ millions)	1,833	1,803	2,082	1,944
Tourism gross domestic product [4]	($ millions)	-	-	-	-
High-tech gross domestic product [5]	($ millions)	-	-	1,475	1,676
B.C. product exports	($ millions)	16,650	15,301	16,363	19,064
Commodity data					
Lumber production	(thousand m3)	33,514	31,406	33,396	33,935
Log production (timber harvest)	(thousand m3)	78,318	73,677	74,006	79,239
Market pulp shipments	(000 tonnes)	3,547	4,014	3,825	4,040
Newsprint, other paper and paperboard production	(000 tonnes)	2,992	2,667	2,708	3,110
Oil and natural gas and gas by-products production	($ millions)	902	861	894	1,162
Coal production	(000 tonnes)	24,557	24,965	17,173	20,633
Solid mineral production	($ millions)	3,092	2,950	2,577	2,415
Electric power generated	(GW.h)	60,662	62,981	64,058	58,774
Farm cash receipts	($ millions)	1,299	1,342	1,404	1,446
Landed value of wild and farmed fish products	($ millions)	559	492	533	605

[1] As at July 1. Data take into account adjustments made for net census undercount in 1991 and 1996, and non-permanent residents.

[2] Data prior to 1997 are not available.

[3] Retail sales data have been revised from 1991 to 2003 and are now classified under the North American Industry Classification System (NAICS 2002).

[4] Data prior to 1998 not available.

[5] Data prior to 1992 are not available.

Sources: Statistics Canada and BC STATS, Ministry of Finance, based on federal, provincial and industry data.

1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2002-2003
										(per cent)
3,676	3,777	3,874	3,949	3,983	4,011	4,039	4,078	4,115	4,147	0.8
100,512	105,670	108,865	114,383	115,641	120,921	131,086	132,050	135,552	142,418	5.1
105,669	108,194	110,857	114,383	115,883	119,604	125,314	125,191	128,151	130,914	2.2
85,703	90,056	92,661	95,925	98,135	101,465	107,452	109,903	111,852	114,547	2.4
21,353	20,591	19,408	22,552	20,260	20,449	20,847	22,625	23,027	24,423	6.1
25,774	23,846	22,848	22,958	20,759	21,009	21,515	19,749	21,262	23,243	9.3
1,928	1,958	1,995	2,040	2,051	2,079	2,100	2,104	2,158	2,202	2.1
1,754	1,792	1,821	1,869	1,870	1,906	1,949	1,942	1,973	2,023	2.5
9.0	8.4	8.7	8.4	8.8	8.3	7.2	7.7	8.5	8.1	-4.7
105.5	107.9	108.9	109.7	110.0	111.2	113.3	115.2	117.9	120.4	2.1
105.7	108.4	109.2	109.8	110.4	111.4	113.9	116.0	118.6	121.0	2.0
-	-	-	610.7	618.3	625.2	636.9	645.7	667.4	683.4	2.4
-	-	-	53,035	54,174	56,263	60,270	61,496	63,193	65,209	3.2
23,314	23,843	23,919	24,291	24,638	25,297	26,604	26,950	27,182	27,622	1.6
17,969	18,302	18,223	18,482	18,676	19,300	20,188	20,683	21,201	21,442	1.1
6.88	8.65	6.06	4.96	6.60	6.44	7.27	5.81	4.21	4.69	11.4
73.22	72.86	73.34	72.22	67.41	67.31	67.32	64.56	63.68	71.38	12.1
9.53	9.16	7.93	7.07	6.93	7.56	8.35	7.40	7.02	6.39	-9.0
30,333	34,207	32,932	33,496	31,757	36,679	40,699	38,281	38,499	37,224	-3.3
31,484	33,941	34,493	36,302	35,460	36,060	38,105	40,371	42,906	44,034	2.6
39,408	27,057	27,641	29,351	19,931	16,309	14,418	17,234	21,625	26,174	21.0
1,772	1,966	1,957	1,960	2,022	2,104	2,089	2,125	1,771	1,880	6.1
-	-	-	-	4,864	5,067	5,235	5,398	5,485	n.a.	n.a.
1,806	2,082	2,200	2,316	2,597	2,725	3,197	3,282	3,343	3,577	7.0
22,894	26,893	25,765	26,761	26,045	29,113	33,752	31,814	29,025	28,474	-1.9
33,671	32,611	32,671	31,562	30,238	32,397	34,346	32,606	36,082	36,086	0.0
75,649	76,472	75,213	68,628	64,967	75,997	76,984	72,009	73,386	61,772	-15.8
4,763	4,572	4,390	4,532	4,462	4,995	5,152	4,710	4,477	4,762	6.4
2,983	2,833	2,801	2,649	2,567	3,016	3,126	2,879	2,900	2,919	0.7
1,275	1,048	1,314	1,599	1,569	2,177	4,786	5,663	4,251	6,217	46.3
22,583	24,350	25,422	27,876	24,868	24,845	25,682	27,006	24,397	23,061	-5.5
2,632	3,438	3,004	3,047	2,893	2,445	2,891	2,867	2,864	n.a.	n.a.
61,015	58,006	71,765	66,961	67,710	68,045	68,241	57,332	64,945	63,051	-2.9
1,538	1,586	1,706	1,739	1,814	1,906	2,048	2,223	2,214	2,312	4.4
728	602	590	604	547	613	667	653	668	n.a.	n.a.

Table A1.2 British Columbia Real GDP at Market Prices, Expenditure Based

	Consumer Expenditure	Government Expenditure	Residential Investment	Non-Residential Investment	Machinery and Equipment Investment	Business Investment	Exports	Imports	Real GDP
				(millions of 1997 $, chained)					
1997.....	72,380	22,266	8,716	5,791	6,799	21,306	49,691	55,143	114,383
1998.....	73,585	22,875	7,543	4,704	7,340	19,598	51,092	54,559	115,883
1999.....	75,648	22,761	6,962	5,000	7,672	19,676	55,575	57,889	119,604
2000.....	78,119	23,291	7,047	5,074	8,263	20,423	60,205	62,226	125,314
2001.....	80,557	24,593	7,707	5,806	8,368	21,951	56,707	61,470	125,191
2002.....	83,036	25,102	8,972	4,514	7,926	21,373	56,627	61,886	128,151
2003.....	85,691	25,534	10,281	4,709	8,172	23,131	56,904	64,571	130,914
				(annual percentage change)					
1998.....	1.7	2.7	-13.5	-18.8	8.0	-8.0	2.8	-1.1	1.3
1999.....	2.8	-0.5	-7.7	6.3	4.5	0.4	8.8	6.1	3.2
2000.....	3.3	2.3	1.2	1.5	7.7	3.8	8.3	7.5	4.8
2001.....	3.1	5.6	9.4	14.4	1.3	7.5	-5.8	-1.2	-0.1
2002.....	3.1	2.1	16.4	-22.3	-5.3	-2.6	-0.1	0.7	2.4
2003.....	3.2	1.7	14.6	4.3	3.1	8.2	0.5	4.3	2.2

Source: Statistics Canada

Table A1.3 British Columbia GDP at Basic Prices, by Industry

	Crop and Animal Production	Fishing, Hunting and Trapping	Forestry and Logging	Mining, Oil and Gas Extraction	Manufacturing	Construction	Utilities	Transportation and Warehousing	Wholesale and Retail Trade	Finance, Insurance and Real Estate	Other Services	Public Administration and Defence	Total GDP
						(millions of 1997 $)							
1997...	907	201	3,185	2,646	11,479	6,434	2,468	6,590	10,982	23,606	29,807	5,764	104,554
1998...	855	131	3,202	2,857	11,238	5,905	2,526	6,660	11,653	23,904	30,674	5,849	105,960
1999...	928	100	3,027	2,830	12,865	5,696	2,557	6,949	11,808	24,662	31,185	6,075	109,176
2000...	1,054	120	2,819	2,699	15,193	5,541	2,488	7,268	12,279	25,586	32,341	6,281	114,229
2001...	1,078	123	2,701	2,916	13,774	5,597	2,314	7,115	12,765	26,800	33,521	6,437	115,647
2002...	1,092	137	2,638	2,735	13,899	5,349	2,372	7,239	13,683	27,996	34,142	6,492	118,240
2003...	1,101	137	2,577	2,766	14,332	5,790	2,375	7,150	14,347	28,617	34,803	6,645	121,203
						(annual percentage change)							
1998...	-5.7	-35.0	0.5	8.0	-2.1	-8.2	2.3	1.1	6.1	1.3	2.9	1.5	1.3
1999...	8.5	-23.4	-5.5	-1.0	14.5	-3.5	1.3	4.3	1.3	3.2	1.7	3.9	3.0
2000...	13.6	20.0	-6.9	-4.6	18.1	-2.7	-2.7	4.6	4.0	3.7	3.7	3.4	4.6
2001...	2.3	2.6	-4.2	8.0	-9.3	1.0	-7.0	-2.1	4.0	4.7	3.6	2.5	1.2
2002...	1.3	10.9	-2.3	-6.2	0.9	-4.4	2.5	1.7	7.2	4.5	1.9	0.9	2.2
2003...	0.8	0.3	-2.3	1.2	3.1	8.2	0.1	-1.2	4.9	2.2	1.9	2.3	2.5

Source: Statistics Canada

Table A1.4 British Columbia GDP, Income Based

	Labour Income	Corporation Profits before Taxes	Interest and Miscellaneous Investment Income	Accrued Net Income of Farm Operators	Net Income of Non-farm unincorporated Business	Inventory Valuation Adjustment	Net Domestic Product at Basic Prices	Indirect Taxes less Subsidies	Capital Cons. Allowances and Misc. Valuation Adjustments	Statistical Discrepency	GDP at Market Prices	GDP at Basic Prices
						($ millions)						
1997..	60,681	8,286	8,444	89	7,780	101	90,040	14,480	14,526	-4	114,383	104,562
1998..	61,965	7,335	8,355	166	8,285	-24.0	90,860	14,515	15,050	-6	115,641	105,904
1999..	64,045	9,309	8,365	199	8,723	-373.0	95,125	14,972	15,659	22	120,921	110,806
2000..	68,369	11,381	10,309	176	9,113	-368.0	104,011	15,584	16,544	-22	131,086	120,533
2001..	70,044	11,214	7,745	361	9,318	-13.0	103,727	15,995	17,342	44	132,050	121,113
2002..	71,819	10,563	8,855	270	9,915	-394.0	105,988	16,487	18,059	-22	135,552	124,025
2003..	74,200	11,878	8,995	76	10,528	622	111,305	17,117	18,851	151	142,418	130,307
						(annual percentage change)						
1998..	2.1	-11.5	-1.1	86.5	6.5	-123.8	0.9	0.2	3.6	50.0	1.1	1.3
1999..	3.4	26.9	0.1	19.9	5.3	1,454.2	4.7	3.1	4.0	-466.7	4.6	4.6
2000..	6.8	22.3	23.2	-11.6	4.5	-1.3	9.3	4.1	5.7	-200.0	8.4	8.8
2001..	2.4	-1.5	-24.9	105.1	2.2	-96.5	-0.3	2.6	4.8	-300.0	0.7	0.5
2002..	2.5	-5.8	14.3	-25.2	6.4	2,930.8	2.2	3.1	4.1	-150.0	2.7	2.4
2003..	3.3	12.4	1.6	-71.9	6.2	-257.9	5.0	3.8	4.4	-786.4	5.1	5.1

Source: Statistics Canada

Table A1.5 Employment by Industry in British Columbia

	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
						(thousands)					
Total - all industries	1,676	1,754	1,792	1,821	1,869	1,870	1,906	1,949	1,942	1,973	2,023
Primary industries	79	80	81	85	88	84	78	85	69	69	81
Agriculture	*34*	*31*	*26*	*30*	*33*	*33*	*29*	*30*	*26*	*30*	*34*
Forestry	*26*	*31*	*36*	*32*	*33*	*30*	*30*	*37*	*26*	*26*	*29*
Fishing, hunting and trapping	*6*	*6*	*5*	*5*	*5*	*4*	*4*	*5*	*5*	*3*	*5*
Mining	*12*	*12*	*14*	*18*	*17*	*17*	*15*	*13*	*12*	*10*	*13*
Manufacturing	179	184	189	195	197	196	192	205	196	197	206
Food, beverages & tobacco	*22*	*27*	*22*	*24*	*26*	*26*	*22*	*24*	*26*	*27*	*32*
Wood products	*49*	*50*	*43*	*44*	*45*	*44*	*42*	*47*	*50*	*45*	*49*
Paper	*22*	*21*	*24*	*23*	*23*	*23*	*22*	*18*	*15*	*17*	*14*
Printing & related support activities	*8*	*9*	*9*	*12*	*10*	*8*	*9*	*11*	*8*	*9*	*8*
Primary metals	*8*	*9*	*12*	*12*	*9*	*9*	*9*	*11*	*8*	*6*	*9*
Metal fabrication	*9*	*9*	*10*	*9*	*11*	*11*	*12*	*13*	*13*	*13*	*13*
Transportation equipment	*7*	*8*	*9*	*9*	*13*	*13*	*13*	*13*	*10*	*13*	*12*
Other manufacturing	*55*	*51*	*60*	*63*	*62*	*64*	*63*	*70*	*66*	*68*	*69*
Construction	114	126	125	120	123	118	115	113	115	121	122
General contractors	*42*	*47*	*44*	*42*	*39*	*37*	*42*	*42*	*41*	*41*	*48*
Special trade contractors	*72*	*78*	*82*	*77*	*84*	*81*	*74*	*71*	*74*	*79*	*74*
Utilities	12	13	11	11	10	11	12	11	12	12	13
Transportation and warehousing	101	99	97	99	109	106	118	114	107	110	114
Transportation	*95*	*96*	*93*	*96*	*103*	*103*	*114*	*111*	*103*	*105*	*109*
Warehousing and storage	*5*	*3*	*4*	*4*	*6*	*3*	*4*	*3*	*4*	*5*	*5*
Trade	275	289	300	294	302	294	309	303	310	319	321
Wholesale trade	*64*	*64*	*66*	*68*	*71*	*62*	*80*	*67*	*69*	*73*	*75*
Retail trade	*211*	*226*	*234*	*226*	*230*	*233*	*229*	*236*	*241*	*246*	*245*
Finance, Insurance, Real Estate & Leasing	114	118	118	124	127	123	120	120	116	119	127
Finance	*47*	*48*	*48*	*51*	*56*	*53*	*54*	*53*	*54*	*54*	*61*
Insurance	*22*	*25*	*22*	*24*	*27*	*24*	*23*	*28*	*24*	*23*	*21*
Real Estate	*35*	*35*	*38*	*39*	*33*	*38*	*34*	*30*	*27*	*31*	*34*
Leasing	*10*	*10*	*10*	*10*	*11*	*8*	*10*	*9*	*12*	*11*	*11*
Public administration	101	100	104	107	100	93	90	90	89	85	92
Federal administration	*34*	*33*	*33*	*37*	*34*	*29*	*32*	*32*	*30*	*31*	*36*
Provincial administration	*30*	*34*	*38*	*36*	*32*	*29*	*28*	*26*	*32*	*26*	*28*
Local administration	*38*	*33*	*34*	*34*	*34*	*35*	*31*	*31*	*27*	*28*	*28*
Other service industries	603	645	666	681	701	721	736	771	788	805	808
Education and related services	*113*	*120*	*123*	*118*	*122*	*120*	*128*	*135*	*136*	*140*	*146*
Health and welfare services	*164*	*171*	*177*	*183*	*190*	*195*	*195*	*202*	*204*	*217*	*212*
Information, culture & recreation	*67*	*79*	*86*	*85*	*89*	*94*	*92*	*99*	*106*	*106*	*106*
Services to business management	*45*	*53*	*55*	*60*	*62*	*66*	*64*	*72*	*74*	*75*	*82*
Accommodation and food services	*121*	*129*	*135*	*143*	*145*	*152*	*153*	*164*	*171*	*171*	*165*
Miscellaneous services	*92*	*93*	*91*	*92*	*93*	*94*	*105*	*99*	*98*	*97*	*97*

Source: Statistics Canada, Labour Force Survey (unpublished data). Totals may not add due to rounding.

Table A1.6 Capital Investment by Industry

	Actual 1999	Actual 2000	Actual 2001	Actual 2002	Preliminary Actual 2003	Intentions 2004	2002 to 2003	2003 to 2004
			($ millions)				(per cent)	
Agriculture, forestry, fishing and hunting	335.1	336.7	286.8	324.9	351.3	371.9	8.1	5.9
Mining, quarrying and oil well industries	1,125.5	1,746.4	2,914.8	2,295.2	2,909.9	2,845.7	26.8	-2.2
Manufacturing	1,236.7	1,335.3	1,244.4	1,048.3	1,031.0	1,173.6	-1.7	13.8
Construction	267.4	248.0	251.2	281.5	290.7	319.4	3.3	9.9
Transport & warehousing	2,018.9	2,211.8	1,934.5	2,101.7	1,682.1	1,782.4	-20.0	6.0
Utilities	873.4	829.1	930.9	1,075.1	1,234.1	1,517.2	14.8	22.9
Wholesale	327.6	312.7	322.5	363.8	364.0	421.5	0.1	15.8
Retail trade	673.7	732.5	739.2	741.3	747.0	783.1	0.8	4.8
Finance and insurance	1,810.3	1,567.0	1,373.6	1,224.1	1,114.1	1,184.7	-9.0	6.3
Real estate, rental and leasing	1,265.3	1,266.6	1,360.4	1,533.3	1,546.0	1,491.1	0.8	-3.6
Information and cultural industries	1,143.6	948.9	1,388.6	1,034.0	762.0	817.2	-26.3	7.2
Professional, scientific and technical	220.4	262.6	273.7	302.9	286.9	323.6	-5.3	12.8
Management of companies and enterprises	39.4	16.3	29.3	33.1	29.4	35.7	-11.2	21.4
Admin, waste and remediation services	110.1	73.7	101.2	59.4	67.6	66.4	13.8	-1.8
Arts, entertainment and recreation	104.7	81.8	109.8	83.6	167.2	191.1	100.0	14.3
Accommodation and food services	246.9	228.0	209.7	348.9	345.5	341.6	-1.0	-1.1
Education services	658.3	667.1	617.2	674.0	609.2	622.1	-9.6	2.1
Health services	444.8	483.5	540.7	547.7	659.7	630.3	20.4	-4.5
Public administration	2,287.5	2,099.9	2,133.5	2,079.4	2,189.6	2,126.2	5.3	-2.9
Other services	150.3	140.0	161.7	202.6	187.7	174.0	-7.4	-7.3
Housing	5,108.4	5,258.7	5,701.4	6,671.9	7,848.2	8,504.4	17.6	8.4
Total	**20,448.5**	**20,846.7**	**22,625.1**	**23,026.9**	**24,422.9**	**25,723.1**	**6.1**	**5.3**
Public	4,626.5	4,638.5	4,541.6	4,513.3	4,723.4	5,114.2	4.7	8.3
Private	15,822.0	16,208.2	18,083.5	18,513.7	19,699.5	20,608.9	6.4	4.6
Total	**20,448.5**	**20,846.7**	**22,625.1**	**23,027.0**	**24,422.9**	**25,723.1**	6.1	5.3
Machinery and equipment	7,716.8	8,090.8	8,565.3	8,343.3	8,131.7	8,581.7	-2.5	5.5
Construction	12,731.7	12,756.0	14,059.8	14,683.7	16,291.2	17,141.4	10.9	5.2
Total	**20,448.5**	**20,846.8**	**22,625.1**	**23,027.0**	**24,422.9**	**25,723.1**	6.1	5.3

Note: Totals may not add due to rounding.

Totals may not add due to some data not being disclosed for confidentiality reasons

Source: Statistics Canada.

Table A1.7 British Columbia International Goods Exports by Major Market and Selected Commodities, 2003

Commodity	U.S.	Japan	European Union [1]	Other Markets	Total - All Countries
			($ millions)		
Solid wood products	6,070	1,548	251	378	8,247
Lumber (softwood)	3,673	1,106	234	296	5,309
Cedar shakes and shingles	221	0	3	3	227
Plywood (softwood)	346	31	6	3	386
Other panel products	720	30	1	8	759
Selected value-added wood products	768	126	3	18	915
Other	343	256	5	48	652
Pulp and paper products	1,944	414	785	1,541	4,684
Pulp	591	288	748	1,130	2,757
Newsprint	352	98	0	134	584
Paper, paperboard - excluding newsprint	901	25	37	254	1,217
Other	100	3	0	23	126
Agriculture and food other than fish	1,004	131	29	176	1,340
Fruit and nuts	133	12	9	10	164
Vegetables	207	11	2	25	245
Other	664	108	18	141	931
Fish products	617	188	64	112	981
Whole fish; fresh, chilled, frozen - excluding salmon	131	45	19	15	210
Whole salmon; fresh, chilled, frozen	237	9	2	8	256
Salmon; canned, smoked, etc	3	2	39	12	56
Other	246	133	4	77	460
Metallic mineral products	401	702	51	381	1,535
Copper ores and concentrates	0	299	0	123	422
Molybdenum ores and concentrates	26	45	48	9	128
Unwrought aluminum	54	262	1	156	473
Unwrought zinc	237	5	0	78	320
Other	84	91	2	16	193
Energy products	3,487	442	351	567	4,847
Natural gas	2,828	0	0	0	2,828
Coal	91	441	351	567	1,450
Electricity	382	0	0	0	382
Other	185	1	0	1	187
Machinery and equipment	2,315	54	247	380	2,996
Motor vehicles and parts	342	6	8	19	375
Electrical/electronic/communications	389	22	49	154	605
Other	1,584	26	191	216	2,017
Plastics and articles of plastic	458	3	10	17	488
Apparel and accessories	194	3	4	3	204
All other commodities	2,316	153	50	632	3,151
Total	**18,805**	**3,638**	**1,842**	**4,189**	**28,474**

[1] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Ireland, Italy, Luxembourg, Netherlands, Portugal, Spain, Sweden and the United Kingdom.

Source: BC STATS

Table A1.8 British Columbia International Goods Exports by Market Area, 2003

	2001	2002	2003	Change 2002-2003	Percent of Total 2002	Percent of Total 2003
		($ millions)			(per cent)	
United Kingdom	355	337	302	-10.4	1.2	1.1
Germany	382	321	364	13.4	1.1	1.3
People's Republic of China	768	843	1,093	29.7	2.9	3.8
Hong Kong	236	228	191	-16.2	0.8	0.7
Taiwan	337	354	445	25.7	1.2	1.6
Japan	4,068	3,866	3,638	-5.9	13.3	12.8
South Korea	758	764	837	9.6	2.6	2.9
India	118	120	110	-8.3	0.4	0.4
Australia	173	187	201	7.5	0.6	0.7
Mexico	83	79	124	57.0	0.3	0.4
United States	22,111	19,694	18,805	-4.5	67.9	66.0
Other	2,426	2,231	2,364	6.0	7.7	8.3
Total	**31,814**	**29,025**	**28,474**	**-1.9**	**100.0**	**100.0**
Market Areas:						
Western Europe [1]	2,160	1,839	1,874	1.9	6.3	6.6
Pacific Rim [2]	6,711	6,697	6,865	2.5	23.1	24.1

[1] Austria, Belgium, Denmark, Finland, France, Germany, Greece, Iceland, Ireland, Italy, Luxembourg, Netherlands, Norway, Portugal, Spain, Sweden, Switzerland and the United Kingdom.

[2] Australia, Brunei Darussalam, China, Fiji, Hong Kong, Indonesia, Japan, Laos, Macau, Malaysia, Mongolia, New Zealand, North Korea, Philippines, Singapore, South Korea, Taiwan, Thailand and Vietnam.

Source: BC STATS

Table A1.9 Historical Commodity Prices (in U.S. Dollars)

	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Metals										
Copper (London; $/lb)	1.05	1.33	1.04	1.03	0.75	0.71	0.82	0.72	0.71	0.81
Lead (London; $/lb)	0.25	0.29	0.35	0.28	0.24	0.23	0.21	0.22	0.21	0.23
Zinc (London; $/lb)	0.49	0.53	0.51	0.65	0.51	0.53	0.56	0.44	0.35	0.39
Gold (London; $/troy oz)	384	384	388	331	294	279	280	271	310	363
Silver (London; $/troy oz)	5.28	5.21	5.18	4.89	5.53	5.25	5.00	4.39	4.60	4.88
Molybdenum ($/lb)	4.50	7.42	3.61	4.18	3.31	2.65	2.51	2.31	3.59	5.21
Aluminum (London; $/lb)	0.67	0.82	0.68	0.73	0.62	0.62	0.69	0.65	0.61	0.65
Forest Products										
Lumber (Madison's Lumber Reporter; WSPF, $/1000 bd ft)	342	251	351	353	287	342	256	247	235	270
Pulp (Northern Europe; $/tonne; transaction price)	573	883	590	566	515	523	681	543	463	523
Newsprint (Pulp and Paper Week; $/tonne)	465	674	652	560	595	513	564	588	468	501
Hemlock baby squares (Madison's Lumber Reporter; 3 9/16")	852	862	796	821	556	585	566	583	593	535
Other										
Oil (West Texas Intermediate; $/barrel)	17	18	22	21	14	19	30	26	26	31
Natural Gas (Sumas; $/Mmbtu)	1.60	1.03	1.33	1.72	1.61	2.15	4.17	4.58	2.68	4.66
Electricity (Mid Columbia Index in US$/MW.h)	n.a.	n.a.	n.a.	n.a.	n.a.	27	137	143	24	41

Source: Ministry of Finance, Ministry of Energy and Mines, US Federal Reserve Bank

Table A1.10 British Columbia Forest Sector Economic Activity Indicators

Indicator	1999	2000	2001	2002	2003	Change [1] 2002-2003
Wood production		(million cubic meters)				(per cent)
Timber scaled	76.0	77.0	72.0	73.4	61.8	-15.8
Lumber	32.4	34.3	32.6	36.1	36.1	0.0
Plywood	1.5	1.5	1.6	1.7	1.7	1.3
Timber scaled by species		(million tonnes)				
Lodgepole pine	22.0	22.2	21.9	22.1	n.a.	
Spruce	12.5	12.1	12.4	12.0	n.a.	
Hemlock	10.5	11.0	10.6	7.5	n.a.	
Douglas fir	11.0	10.6	10.5	10.5	n.a.	
Balsam	8.8	8.9	8.4	6.4	n.a.	
Cedar	6.6	7.3	7.2	5.6	n.a.	
All others	5.6	6.4	6.4	5.7	n.a.	
Total [2]	**77.0**	**78.5**	**77.4**	**69.8**	n.a.	
		(million tonnes)				
Pulp and paper production	8.0	8.3	7.6	7.4	7.7	4.1
Market pulp	5.0	5.2	4.7	4.5	4.8	6.4
Newsprint, paper and paperboard	3.0	3.1	2.9	2.9	2.9	0.7
Industrial product price indices		(1997=100)				
Softwood lumber -- British Columbia	100.2	83.2	82.6	81.7	72.6	-11.1
Douglas fir plywood	109.4	94.8	94.4	104.2	110.8	6.3
Bleached sulphate pulp	99.4	127.7	105.7	96.1	97.2	1.1
Newsprint for export	96.3	105.4	123.0	96.2	89.3	-7.2

[1] Percentage change based on unrounded numbers.

[2] Total may not add due to rounding.

Sources: Timber harvest – Ministry of Forests
Lumber and plywood production – Statistics Canada
Pulp and paper production – Canadian Pulp and Paper Association
Industrial product price indices – Statistics Canada

Table A1.11 Historical Value of Mineral, Petroleum and Natural Gas Production

Year	Metals	Industrial Minerals [1]	Construction Aggregates [2]	Coal	Crude Oil [3]	Natural Gas to Pipeline	Other oil and Gas [4]	Total
				($ millions)				
1989	1,829	278	178	706	263	495	25	**3,774**
1990	1,623	305	163	822	319	537	43	**3,813**
1991	1,511	290	159	861	260	562	36	**3,679**
1992	1,502	212	157	706	260	592	38	**3,467**
1993	1,198	229	166	822	233	814	42	**3,504**
1994	1,354	237	180	861	235	991	44	**3,902**
1995	2,016	249	204	968	272	710	58	**4,478**
1996	1,537	251	189	1,027	441	817	75	**4,337**
1997	1,495	249	195	1,107	403	1,087	98	**4,635**
1998	1,484	245	208	956	373	1,154	47	**4,467**
1999	1,183	246	219	797	461	1,577	53	**4,536**
2000	1,571	284	224	812	843	3,826	114	**7,674**
2001	1,394	296	217	959	729	4,834	103	**8,533**
2002	1,288	310	231	1,035	714	3,458	79	**7,115**
2003 e	1,282	340	238	1,000	716	5,383	117	**9,076**

e Estimate.

[1] Shipments of gypsum and silica to Canadian cement, lime and clay plants are not included in this table.

[2] Sand and gravel; stone.

[3] Includes Pentanes and Condensate.

[4] Liquified Petroleum Gases and Sulphur.

Sources: Natural Resources Canada and Ministry of Energy and Mines

Table A1.12 Petroleum and Natural Gas Activity Indicators

Indicator	Unit of Measure	1999	2000	2001	2002	2003	Change 2002-2003
							(per cent)
Natural gas production (wellhead) [1]	(billion cubic m)	25.9	26.6	29.9	32.4	30.8	-4.9
Crude oil and condensate	(million cubic m)	2.4	2.7	2.6	2.6	2.6	3.2
Wells authorized	(number)	828	1,010	977	876	1,399	59.7
Wells drilled	(number)	620	770	875	643	1,041	61.9
Seismic crew-weeks	(number)	105	140	167	160	164	2.5
Provincial reserves							
Marketable gas (remaining reserves)	(billion cubic m)	237	240	252	255	n.a.	n.a.
Oil (remaining reserves)	(million cubic m)	26.0	27.4	25.5	22.6	n.a.	n.a.
Provincial government petroleum and natural gas revenue [2]	($ millions)	587.3	1,306.2	1,731.1	1,241.7	2,114.2	70.3

[1] Includes gas retrieved from storage. During 2002, 1 billion cubic metres were produced from storage wells.

[2] Includes Crown royalties, Crown reserve disposition bonuses, fees and rentals.

Source: Ministry of Energy and Mines

Table A1.13 Supply and Consumption of Electrical Energy in British Columbia

	Supply					Consumption	
	Net Generation						
Year	Hydro	Thermal	Total Provincial Generation	Receipts From Other Provinces and Imports	Total Provincial Supply	Delivered To Other Provinces and Exports	Total Provincial Consumption
				(gigawatt-hours)[1]			
1984	50,243	2,126	52,369	1,556	53,925	8,313	45,612
1985	57,105	2,022	59,126	1,080	60,207	11,231	48,975
1986	48,923	1,836	50,759	3,345	54,104	4,709	49,395
1987	61,057	2,010	63,066	1,203	64,269	13,336	50,934
1988	58,573	2,370	60,943	2,351	63,293	9,215	54,078
1989	51,082	6,573	57,655	4,500	62,155	6,583	55,572
1990	57,245	3,417	60,662	3,233	63,895	6,689	57,206
1991	60,149	2,832	62,981	2,272	65,253	7,725	57,528
1992	60,555	3,503	64,058	2,685	66,743	9,473	57,270
1993	53,057	5,716	58,774	5,691	64,465	5,605	58,860
1994	53,979	7,036	61,015	7,836	68,851	9,541	59,311
1995	49,814	8,192	58,006	6,385	64,39[1]	3,972	60,419
1996	67,329	4,436	71,765	3,289	75,053	10,390	64,664
1997	61,772	5,189	66,961	4,316	71,278	12,114	59,163
1998	60,849	6,861	67,710	5,056	72,766	10,619	62,147
1999	61,588	6,457	68,045	6,807	74,852	12,529	62,323
2000	59,754	8,487	68,241	6,039	74,280	10,698	63,582
2001	48,338	8,994	57,332	10,154	67,486	6,408	61,079
2002	58,627	6,318	64,945	5,769	70,714	8,078	62,636
2003	56,689	6,362	63,051	7,071	70,122	9,901	60,221

[1] Gigawatt-hour = one million kilowatt-hours

Source: Statistics Canada

Table A1.14 British Columbia High-Technology Sector Activity

Indicator	1997	1998	1999	2000	2001	2002	2003	Change 2002-2003
								(per cent)
Number of Establishments [1]								
Manufacturing	-	973	875	863	830	814	n.a.	n.a.
Services	-	3,899	4,146	4,528	4,622	4,525	n.a.	n.a.
Total	-	**4,872**	**5,021**	**5,391**	**5,452**	**5,339**	**n.a.**	**n.a.**
Employment (persons)								
Manufacturing	10,900	11,800	14,400	16,000	15,900	14,500	14,600	1.0
Services	23,600	22,000	24,300	27,400	29,800	30,600	32,400	5.8
Total	**34,600**	**33,800**	**38,700**	**43,500**	**45,800**	**45,100**	**47,000**	**4.3**
Wages and Salaries ($ millions)								
Manufacturing	423	490	620	697	690	652	692	6.1
Services	1,232	1,144	1,298	1,516	1,613	1,669	1,800	7.8
Total	**1,655**	**1,634**	**1,918**	**2,213**	**2,303**	**2,322**	**2,492**	**7.3**
Real GDP ($ 1997 millions)	2,316	2,653	2,951	3,514	3,505	3,434	3,739	8.9
Nominal GDP ($ millions)	2,316	2,597	2,725	3,197	3,282	3,343	3,577	7.0
Revenues ($ millions)	4,780	4,990	5,378	6,098	6,089	6,003	6,416	6.9
Exports ($ millions)	581	769	840	923	748	685	628	-8.3

[1] Data not available prior to 1998.

Source: BC STATS

Chapter Two
Financial Review

2003/04 Overview

Despite significant revenue and expenditure shocks in 2003/04, the provincial government ended the year with a deficit of $1.3 billion, a $961 million improvement over the budgeted deficit of $2.3 billion and an improvement of $1.9 billion as compared to the previous year.

Table 2.1 Operating Statement

($ millions)	Budget 2003/04 [1]	Actual 2003/04	Actual 2002/03 [2]	Annual Change [3]
				(per cent)
Taxpayer-supported programs and agencies:				
Revenue	24,619	24,793	23,376	6.1
Expense	(27,800)	(28,013)	(28,341)	(1.2)
Taxpayer-supported balance	**(3,181)**	**(3,220)**	**(4,965)**	(35.1)
Commercial Crown corporation net income	1,381	1,881	1,766	6.5
Deficit before forecast allowance	**(1,800)**	**(1,339)**	**(3,199)**	(58.1)
Forecast allowance	(500)	-	-	-
Deficit	**(2,300)**	**(1,339)**	**(3,199)**	(58.1)

[1] The First Ministers' Accord on Health Care Renewal was finalized subsequent to the February provincial budget. While the 2003/04 Health Accord funding of $319 million was included in the May 29, 2003 *Supply Act* and treated as part of the budget in three *Quarterly Reports*, this report reflects the original estimates tabled on February 18, 2003.

[2] Comparative figures have been restated to reflect government accounting policies in effect at March 31, 2004.

[3] Percentage change between 2003/04 actual and 2002/03 actual.

Subsequent to the February 18, 2003 budget, additional funding of $319 million, as part of the First Ministers' Accord on Health Care Renewal (Health Accord), was included in the *Supply Act* in May 2003. In the quarterly reports for 2003/04, this funding was included in addition to the original budget amounts for revenue from federal transfers and Ministry of Health Services spending. In this report, budget figures refer to the February 18, 2003 estimates.

The final deficit of $1.3 billion included:

- taxpayer-supported program and agency revenue of $24.8 billion, $174 million higher than budget and a 6.1 per cent improvement over the previous year;
- taxpayer-supported program and agency expense of $28.0 billion, $213 million higher than budget (but below budget if Health Accord funding is included), and a 1.2 per cent reduction compared to the previous year; and
- commercial Crown corporation net income of $1.9 billion, $500 million higher than budget and a 6.5 per cent improvement over the previous year.

As noted above, the 2003/04 deficit was $961 million lower than budget due to a number of factors:

During 2003/04, federal transfers to the province for equalization were $1,005 million lower than expected due to the effect of changes in tax assessments for the 2002 tax year and 2003 economic growth. In addition, an

above average year in the number and scope of natural disasters resulted in disaster relief costs that were $410 million higher than expected.

Helping to offset these unanticipated events were a $467 million improvement in tax revenue, $332 million of higher than expected energy revenue, a $500 million improvement in commercial Crown corporation net income, and other revenue improvements of $380 million, primarily due to additional federal transfers under the Health Accord.[1]

The improvement in commercial Crown corporation net income was primarily due to better than expected results from BC Hydro, ICBC and the Liquor Distribution Branch.

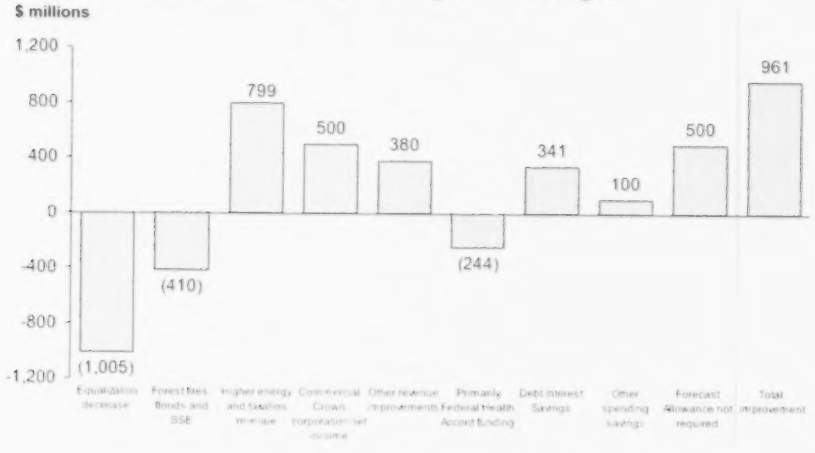
After including the $319 million Health Accord funding approved by the Legislature in the *Supply Act*, Ministry of Health Services spending was $75 million below budget. However, based on the February 18, 2003 budget, the Ministry of Health Services was $244 million over budget as the Health Accord funding amounts were not finalized in time for inclusion in the budget.

Debt interest cost reductions were a significant source of savings totaling $341 million in ministries and taxpayer-supported agencies (including a $188 million reduction in debt servicing costs for direct government). Other spending savings totaled $100 million reflecting below budget spending in many ministries, after accommodating a number of priority initiatives (such as the acceleration of $72 million in funding for the 2010 Winter Olympics).

The 2003/04 budget also included a $500 million forecast allowance that was not required.

Chart 2.1 and Table 2.2 summarize the major changes from the 2003/04 budget.

Chart 2.1 2003/04 Deficit – Major Changes From Budget



[1] The First Ministers' Accord on Health Care Renewal (Health Accord) was finalized subsequent to the February provincial budget. While the 2003/04 Health Accord funding of $319 million was included in the May 29, 2003 *Supply Act* and treated as part of the budget in three *Quarterly Reports*, this report reflects the original estimates tabled on February 18, 2003.

The 2003/04 deficit of $1.3 billion was significantly lower than the $3.2 billion deficit recorded in 2002/03 (see Table 2.1), primarily due to higher revenue from taxation and natural resources, improved commercial Crown corporation net income (except for BC Hydro), and lower expenses for taxpayer-supported Crown corporations and agencies.

The 2003/04 deficit was $371 million lower than the third quarter forecast released with the 2004/05 budget on February 17, 2004. Further details on changes from the February 2004 updated forecast are provided in Appendix Table A2.5.

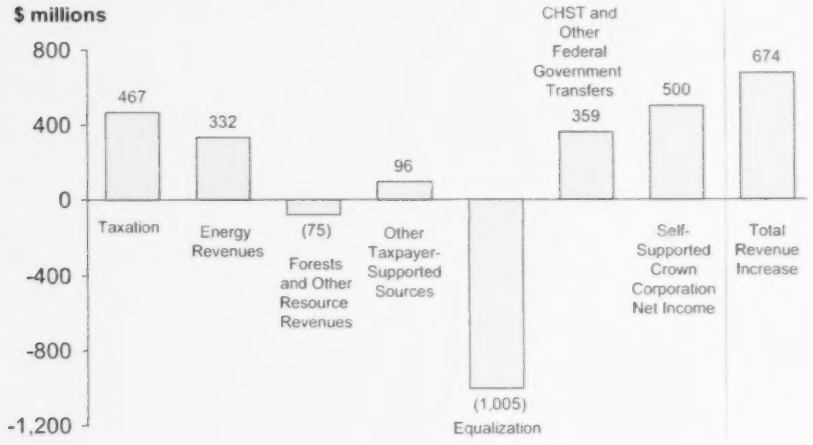
Table 2.2 Operating Statement – Changes from *Budget 2003*

($ millions)	Changes	Final Results
2003/04 forecast deficit – *Budget 2003* Fiscal Plan (February 18, 2003)		**(2,300)**
Revenue changes		
Health Accord funding included in the May 29, 2003 *Supply Act*	319	
Personal income tax revenue – mainly due to higher 2002 tax assessments	155	
Property transfer tax revenue – strong housing market	150	
Other taxes – all sources higher except hotel room tax	162	
Energy revenue – mainly higher sales of drilling rights, partially offset by lower natural gas volumes	332	
Other natural resource revenue (mainly $95 million lower forestry revenue)	(75)	
CHST and equalization entitlements – mainly impact of 2002 tax assessments and 2003 economic growth:		
– prior year equalization adjustment (mainly lower 2002/03 entitlements)	(506)	
– 2003/04 equalization entitlement	(499)	
– CHST	(38)	
Other federal funding (mainly $120 million in forest fire relief)	78	
Other revenues – mainly higher recoveries for health related expenses and other miscellaneous sources, partially offset by lower sales of goods and services by taxpayer-supported Crowns and reduced recoveries of interest costs	96	
Commercial Crown corporation net income:		
BC Hydro – improved water levels, higher sales and interest savings	147	
Liquor Distribution Branch - higher sales and reduced transition costs	69	
ICBC – higher revenues and lower claims and insurance operations costs	257	
Other Crown corporation changes	27	
Total revenue increases		**674**
Expense changes		
Higher disaster response costs including forest fires, floods and BSE	(410)	
Health Accord funding included in the May 29, 2003 *Supply Act*	(319)	
Other health care changes	75	
Interest cost savings – mainly reduced debt levels	188	
Acceleration of funding for the 2010 Olympic and Paralympic Winter Games	(72)	
Reduced spending in other programs	294	
CRF expense increases	(244)	
Taxpayer-supported Crown corporation debt interest savings	153	
Other taxpayer-supported Crown corporation and agency expenses and adjustments – mainly higher recovered costs and new agencies	(122)	
Total expense increases		**(213)**
Forecast allowance reduction		**500**
Net change		**961**
Actual deficit – 2003/04 *Public Accounts*		**(1,339)**

Revenue

In 2003/04, revenue (including commercial Crown corporations net income) totaled $26.7 billion, $674 million higher than budget ($355 million higher than planned if the Health Accord funding is included in the budget) and 6.1 per cent higher than 2002/03 as higher revenues from taxation, natural resources, other miscellaneous sources, and improved net income from commercial Crown corporations were partially offset by lower federal government contributions.

Chart 2.2 Revenue Changes from Budget



Major changes from budget included:

- Revenue from taxation sources was $467 million above budget mainly due to higher-than-expected revenues from personal income, property transfer, insurance premium, property and corporation capital taxes.
- Personal income tax was up $155 million mainly due to higher than expected 2002 tax assessments. Revenue was 18 per cent higher than 2002/03 mainly due to the effects of prior-year adjustments that resulted in a $149 million increase in 2003/04 and a $299 million decrease in 2002/03.
- Corporate income tax was up $20 million as higher entitlements for 2002 and prior tax years were partially offset by the effects of a lower share of corporate taxable income subject to the general tax rate and increased tax credit deductions. Revenue was 27 per cent higher than 2002/03 mainly due to a $273 million improvement in the settlement to the federal government for overpayments in prior years.
- Property transfer tax was $150 million above budget and 27 per cent higher than 2002/03 reflecting the strong housing market throughout the year due in part to lower mortgage rates and the cumulative effect of federal and provincial income tax cuts.
- Other taxes were up $66 million as higher revenue from insurance premium tax, mainly reflecting insurance industry rate increases, was partially offset by the effect of reduced tourism activity on hotel room tax revenue.

Table 2.3 Revenue by Source

($ millions)	Budget 2003/04 [1]	Actual 2003/04	Actual 2002/03 [2]	Annual Change [3]
Taxation				(per cent)
Personal income	4,722	4,877	4,150	17.5
Corporate income	755	775	612	26.6
Social service	3,995	4,001	3,794	5.5
Fuel	866	875	687	27.4
Tobacco	635	647	606	6.8
Property	1,550	1,576	1,541	2.3
Property transfer	368	518	407	27.3
Corporation capital	101	124	198	(37.4)
Other	349	415	357	16.2
	13,341	**13,808**	**12,352**	11.8
Natural resources				
Natural gas royalties	1,289	1,230	1,056	16.5
Columbia River Treaty	240	230	100	130.0
Petroleum royalties, permits, fees and minerals	477	878	532	65.0
Forests	1,102	1,007	1,323	(23.9)
Other resources	288	308	270	14.1
	3,396	**3,653**	**3,281**	11.3
Other revenue				
Medical Services Plan premiums	1,410	1,409	1,355	4.0
Motor vehicle licences and permits	352	363	351	3.4
BC Ferries tolls	-	-	315	(100.0)
Other fees and licences	500	655	577	13.5
Investment earnings	728	582	640	(9.1)
Sales of goods and services by taxpayer-supported Crown corporations	266	229	275	(16.7)
Miscellaneous	634	748	629	18.9
	3,890	**3,986**	**4,142**	(3.8)
Contributions from the federal government				
Canada Health and Social Transfer – current year	2,763	2,941	2,639	11.4
Canada Health and Social Transfer – prior years	-	103	(33)	(412.1)
Equalization – current year	675	176	543	(67.6)
Equalization – prior years	-	(506)	-	-
Other	554	632	452	39.8
	3,992	**3,346**	**3,601**	(7.1)
Taxpayer-supported programs and agencies	**24,619**	**24,793**	**23,376**	6.1
Commercial Crown corporation net income				
BC Hydro (before RSA transfers)	(70)	77	352	(78.1)
Liquor Distribution Branch	655	724	654	10.7
BC Lotteries	725	728	671	8.5
BC Rail	61	66	(84)	(178.6)
ICBC	45	225	45	400.0
Other	5	8	14	(42.9)
Accounting adjustments	(40)	53	114	(53.5)
	1,381	**1,881**	**1,766**	6.5
Total revenue	**26,000**	**26,674**	**25,142**	6.1

[1] The First Minister's Accord on Health Care Renewal was finalized subsequent to the February provincial budget. While the 2003/04 Health Accord funding of $319 million was included in the May 29, 2003 *Supply Act* and treated as part of the budget in three *Quarterly Reports*, this report reflects the original estimates tabled in February 18, 2003.

[2] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2004.

[3] Percentage change between 2003/04 actual and 2002/03 actual.

Table 2.4 Expense by Ministry, Program and Agency

($ millions)	Budget 2003/04 [1]	Contingencies Allocation	Budget plus Contingencies	Actual 2003/04	Actual 2002/03 [2]	Annual Change [3]
						(per cent)
Advanced Education	1,899	-	1,899	1,897	1,897	-
Education	4,860	-	4,860	4,787	4,799	(0.3)
Health Services	10,209	-	10,209	10,453	10,206	2.4
Subtotal	16,968	-	16,968	17,137	16,902	1.4
Office of the Premier	52	-	52	50	43	16.3
Agriculture, Food and Fisheries [4]	49	3	52	55	72	(23.6)
Attorney General	506	14	520	520	531	(2.1)
Children and Family Development	1,451	-	1,451	1,430	1,575	(9.2)
Community, Aboriginal and Women's Services	666	13	679	679	555	22.3
Energy and Mines	57	20	77	77	47	63.8
Finance	55	1	56	54	54	-
Forests	565	16	581	524	618	(15.2)
Human Resources	1,417	-	1,417	1,394	1,618	(13.8)
Management Services	47	14	61	61	56	8.9
Provincial Revenue	50	-	50	49	49	-
Public Safety and Solicitor General	507	23	530	528	525	0.6
Skills Development and Labour	26	-	26	20	24	(16.7)
Small Business and Economic Development	115	1	116	115	57	101.8
Sustainable Resource Management	92	-	92	91	125	(27.2)
Transportation	834	-	834	820	749	9.5
Water, Land and Air Protection	130	1	131	129	163	(20.9)
Subtotal	6,619	106	6,725	6,596	6,861	(3.9)
Total ministries and Office of the Premier	**23,587**	**106**	**23,693**	**23,733**	**23,763**	(0.1)
Legislation	43	-	43	41	38	7.9
Officers of the Legislature	23	-	23	23	25	(8.0)
BC Family Bonus	85	-	85	80	88	(9.1)
Management of public funds and debt	926	-	926	738	711	3.8
Government restructuring (ministries)	190	-	190	168	212	(20.8)
Contingencies and new programs	170	(107)	63	-	-	-
Other appropriations [4]	10	1	11	13	67	(80.6)
Subtotal	**25,034**	**-**	**25,034**	**24,796**	**24,904**	(0.4)
Additional natural disaster funding:						
Agriculture, Food and Fisheries [4]	-	-	-	24	-	-
Forests [4]	-	-	-	316	-	-
Public Safety and Solicitor General [4]	-	-	-	70	-	-
2010 Winter Olympics accelerated spending [4]	-	-	-	72	-	-
Forestry restructuring	-	-	-	-	275	(100.0)
CRF expense	**25,034**	**-**	**25,034**	**25,278**	**25,179**	0.4
Less: Grants/internal transfers [5]	(1,087)	-	(1,087)	(730)	(784)	(6.9)
Add: Expenses recovered from external entities	1,615	-	1,615	1,342	1,299	3.3
	25,562	-	25,562	25,890	25,694	0.8
Taxpayer-supported Crown corporations and agencies (net of adjustments)	1,955	-	1,955	2,120	2,647	(19.9)
Children and Family Development goverance authorities [5]	283	-	283	3	-	-
Total taxpayer-supported expense	**27,800**	**-**	**27,800**	**28,013**	**28,341**	(1.2)

[1] The First Minister's Accord on Health Care Renewal was finalized subsequent to the February provincial budget. While the 2003/04 Health Accord funding of $319 million was included in the May 29, 2003 *Supply Act* and treated as part of the budget in three *Quarterly Reports*, this report reflects the original estimates tabled in February 18, 2003.

[2] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2004.

[3] Percentage change between 2003/04 actual and 2002/03 actual.

[4] Additional spending above budget authorized through *Supplementary Estimates* or statutory authority under existing ministry acts.

[5] Reflects a revised schedule for the transfer of operations by the Ministry of Children and Family Development to authorities. Further details are provided in the ministry's service plan.

- Revenue from energy and mineral sources was up $332 million primarily due to the record sale of natural gas and petroleum drilling rights in September 2003. This was partially offset by lower natural gas royalties, despite higher prices, as weaker demand resulted in lower production.
- Forests revenue was $95 million below budget and 24 per cent lower than 2002/03 mainly due to the effects of a higher Canadian dollar exchange rate and lower harvest volumes on the Coast and through the BC Timber Sales program.
- Other revenue was up $96 million mainly due to improved collections for health related expenses and other miscellaneous sources, partially offset by lower recoveries of interest costs from commercial Crown corporations and reduced sales of goods and services by taxpayer-supported Crown corporations.
- Federal government contributions were down $646 million mainly due to a $1,005 million shortfall in equalization entitlement. At negative $330 million, equalization revenue reflected a $506 million reduction in prior-year entitlements and a $176 million entitlement in respect of 2003/04, down $499 million from budget. Reduced entitlements for prior years are mainly due to the effects of stronger than expected BC tax assessments and weak Ontario results for 2002. Lower entitlements in respect of 2003/04 reflect higher than assumed 2003 BC economic growth and relatively weak Ontario growth.
- The equalization reductions were partially offset by a $281 million increase in Canada Health and Social Transfer (CHST) revenue, primarily due to the Health Accord funding. Other factors affecting CHST in 2003/04 included increased prior-year entitlements, offset by a lower entitlement in respect of 2003/04 reflecting a reduced BC share of the national population.
- Other federal government transfers were $78 million higher than budget as a $120 million contribution for relief of forest fire costs was partially offset by lower recoveries in other cost sharing programs.

Commercial Crown Corporation Net Income

Commercial Crown corporations recorded a combined net income of $1,881 million as compared to a budgeted net income of $1,381 million.

Major changes from budget included:

- BC Hydro's $77 million operating income, before deferral account transfers, reflected a $147 million improvement over the budgeted $70 million loss. Operating results improved by $267 million primarily due to higher domestic revenue, higher-than-expected water inflows into hydro dam reservoirs (resulting in reduced energy costs), and lower finance charges as a result of reduced borrowing requirements and lower-than-expected interest rates. This improvement was offset by a $120 million provision for BC Hydro's capitalized costs from the Vancouver Island Generation and Georgia Strait Crossing projects.
- At $724 million, the Liquor Distribution Branch net income was a $69 million improvement over budget reflecting higher sales and a $33 million reduction in the estimated costs for the transition of retail outlets.

- BC Lotteries earnings of $728 million were $3 million higher than budget. Lottery revenue was $30 million lower than expected, reflecting the maturity of that market. However, the reduction was partially offset by increases in bingo and casino revenue and lower direct expenses for prizes and commissions. Operating costs were $5 million lower than budget.

  BC Lotteries' impact on the provincial government's bottom line is less than its net income due to the distribution of gaming revenue to third parties. In 2003/04, the province distributed $132 million to charities, $53 million to local governments, and $8 million to the federal government. Of the $535 million retained by the province, $147 million was dedicated to the Health Special Account and the remainder to general revenue. Amounts provided to the Health Special Account are used to fund the administration, operation and delivery of health care, health research, health promotion and health education services.

- On government's fiscal year basis, BC Rail's results were $10 million below the budget forecast.

  For the year ended December 31, 2003, BC Rail reported net income of $66 million – a $5 million improvement over their plan for the year. An $11 million increase in operating income was partially offset by lower than expected results from discontinued operations.

  BC Rail's results for the first quarter of 2004 were $15 million lower than the same period in 2003, resulting in a negative adjustment to match the corporation's fiscal year to that of the provincial government.

  BC Rail's results do not reflect the BC Rail Investment Partnership as this transaction was delayed until July 2004.

- On government's fiscal year basis, ICBC's results were $257 million ahead of the budget forecast.

  ICBC reported a net income of $225 million for the calendar year ended December 31, 2003, a $180 million improvement over their budgeted net income of $45 million. The change from budget was mainly due to increases in premium revenue due to purchases of more coverage and the retention of market share, decreases in claims costs due to better driving conditions and changes in deductibles, reduced operating costs and higher than expected gains on sale of property.

  ICBC's results for the first quarter of 2004 were significantly higher than the same period in 2003, resulting in a $77 million positive adjustment to match the corporation's fiscal year to that of the provincial government.

Five-year financial statements for the above Crown corporations are presented in Appendix Tables A2.13 to A2.17.

Consolidated Revenue Fund Expense

In 2003/04, spending for ministries and other areas totaled $24.8 billion, or $238 million below budget before factoring in additional spending related to natural disasters and the acceleration of a portion of the government's funding commitment to the 2010 Winter Olympics. This represents a decrease of 0.4 per cent from comparable spending in 2002/03, which excludes a one-time forestry restructuring provision (see Table 2.4).

After including $482 million of additional spending for natural disasters and the 2010 Winter Olympics, consolidated revenue fund spending totaled $25.3 billion in 2003/04 and was $244 million higher than budget (but $75 million lower than planned if the Health Accord funding is included in the budget). Including one-time items, overall spending increased 0.4 per cent from 2002/03.

Major changes from budget included:

- $410 million of additional spending for responding to forest fires, floods and BSE (bovine spongiform encephalopathy) by the Ministries of Forests, Public Safety and Solicitor General, and Agriculture, Food and Fisheries;
- $244 million in additional Ministry of Health Services spending, reflecting the Health Accord; and
- $72 million of additional contributions in support of the government's funding commitment to the 2010 Winter Olympics;

partially offset by

- $231 million below budget spending in ministries and other appropriations;
- $63 million of unused contingencies vote funding; and
- $188 million of reduced operating debt interest costs.

As a result of effective management of ministry budgets and earlier-than-expected progress in meeting three-year service plan targets, ministries also addressed some one-time funding needs in a number of priority areas. This included:

- $32 million of additional contributions to school districts to partially address unfunded accumulated employee benefits;
- $26 million to provide support for research by Genome BC;
- $25 million to provide support for research by the Michael Smith Foundation;
- $22 million to reimburse Health Authorities for SARS costs and to address waitlists and other priorities;
- $23 million to support *Legacies Now*, seniors housing and services and *Action Schools*; and
- $14 million for facilities maintenance and other initiatives in support of the post-secondary education sector.

In 2003/04, six ministries – Health Services, Education, Advanced Education, Human Resources and Children and Family Development – accounted for nearly 80 per cent of total CRF expense. Interest payments on the government's direct operating debt accounted for about 3 per cent of spending.

During 2003/04 the contingencies vote funded $107 million of new initiatives and unforeseen requirements. In addition, *Supplementary Estimates*, together with statutory authority in various programs, allowed the government to provide for additional costs of responding to disasters, to flow through additional contributions received from the federal government for health care, and to provide for the acceleration of some of the government's funding commitment to the 2010 Winter Olympics.

Significant areas of spending and changes from budget included:

- Ministry of Advanced Education spending was slightly below budget. Spending primarily reflected higher-than-planned contributions to educational institutions. This was offset by lower interest costs for capital-related debt and other areas. Spending was unchanged from the previous year. Total post-secondary full-time equivalent student spaces increased to 161,484 in 2003/04 from 160,320 in the previous year (up 0.7 per cent). During 2003/04 an additional $12 million of operating funding was provided to support the increase in student spaces.

- Ministry of Education spending was $73 million below budget. Of this variance, $52 million was due to a change in provincial accounting for federal contributions received on account of K-12 education for aboriginal children. Previously, the province recorded as revenue and expenditure amounts transferred directly to school boards from the federal government and First Nations for the education of aboriginal children. Effective 2003/04, provincial revenue and expense will no longer reflect federal or First Nation funding directly received by school boards. Total funding received by school boards is unaffected by this change. The rest of the spending variance was primarily due to lower interest costs for capital-related debt. In 2003/04, public school full-time enrolment declined to 580,483 from 587,247 (1.2 per cent decrease), while independent school enrolment rose to 63,387 from 62,601 (1.3 per cent increase). Average per pupil funding for public schools increased by 1.2 per cent.

- Ministry of Health Services spending was $244 million higher than budget, but $75 million lower than planned if the Health Accord funding is included in the budget. The Health Accord increase was partially offset by lower spending for the regional health sector, due to the reallocation of capital spending from the operating budget to the capital budget and the deferral of a portion of the federal equipment funding to subsequent fiscal years. As well, there were reductions in Medical Services Plan, Pharmacare and capital-related debt interest costs, partially offset by higher spending for emergency health care services. In total, ministry spending was up 2.4 per cent from 2002/03.

- Ministry of Children and Family Development spending was $21 million below budget as higher costs for community living services were more than offset by lower costs in children-in-care and other programs. During the year, the children-in-care average caseload declined 4.2 per cent and the average cost per child-in-care declined by 4 per cent. In addition, an increase in out-of-care placements for children (e.g. adoptions) reduced overall expenditures in children and family development services.

- Ministry of Energy and Mines spending was on budget and 64 per cent higher than the previous year mainly due to additional investments in oil and natural gas development initiatives and higher payments required under the Vancouver Island Natural Gas Pipeline Assistance Agreement due to higher-than-assumed natural gas prices in 2003/04.

- Ministry of Forests expense was down $57 million from budget, excluding forest fire costs. The change primarily reflects a lower amount of inventoried costs expensed during the year through the BC Timber Sales Program as a result of reduced sales, and a larger portion of development costs capitalized and deferred to future sales.

- Ministry of Human Resources spending was $23 million below budget and 13.8 per cent lower than the previous year. This reflects a continuing downward trend in the employment assistance caseload and average costs per case. The average monthly assistance caseload of 116,014 was 2.1 per cent below budget and 11.1 per cent lower than in 2002/03.

- Ministry of Small Business and Economic Development spending was slightly below budget and $58 million higher than the previous year mainly due to the start of contributions towards the Vancouver Convention and Exhibition Centre.

- The Contingencies and New Programs Vote accommodates funding for unanticipated events or items where the timing and amounts involved are uncertain. In 2003/04, this vote funded $107 million of new initiatives and unforeseen requirements in 2003/04. Significant items included funding for the Air India, Pickton and other trials; the missing persons investigation; new oil and gas initiatives and higher payments required under the Vancouver Island Natural Gas Pipeline Assistance Agreement; interest liabilities related to protected areas compensation; and unusually high year-end adjustments to recognize accumulated pre-retirement and leave liability costs. At year-end, $63 million of this vote was unspent.

- Management of Public Funds and Debt (debt interest) was $188 million below budget due to significantly lower-than-assumed borrowing requirements, lower interest rates and a stronger Canadian dollar. Government operating debt requirements were $2 billion below budget. The average long-term interest rate was 0.9 percentage points lower than assumed, while the average short-term interest rate was 1.1 percentage points lower.

- Government Restructuring (All Ministries) – 2003/04 was the final year of the three-year $550 million restructuring plan for the Consolidated Revenue Fund (CRF) set out in the 2002/03 budget. CRF expenses for 2003/04 were $21 million below budget due to lower requirements of ministries and agencies. Appendix Table A2.11 provides details on total restructuring

expenses (including Crown corporations). The topic box at the end of this chapter provides a summary of restructuring costs over the three-year period.

- Natural Disasters – 2003/04 marked a record year for provincial disasters which included an unprecedented severe forest fire season and responding to the impacts of flooding and BSE. Table 2.5 provides a breakdown of costs and a forest fires topic box is provided at the end of this chapter.

Table 2.5 Natural Disaster Costs

($ millions)	Actual Costs	Available Budget	Change From Budget
Fires			
Ministry of Forests			
Direct fire costs	363		
Forest remediation	8		
	371	55	316
Ministry of Public Safety and Solicitor General			
Emergency response	61	3	58
Related compensation	5	-	5
Floods			
Ministry of Public Safety and Solicitor General			
Prior year floods and other	12		
2003 Floods	10		
	22	15	7
Bovine Spongiform Encephalopathy (BSE) assistance			
Ministry of Agriculture, Food and Fisheries			
Bovine Spongiform Encephalopathy (BSE) assistance	7		
Contribution to the Agriculture Income Stabilization Trust Fund – recognition of BSE claims	17		
	24	-	24
Total	**483**	**73**	**410**

In total, spending for responding to natural disasters amounted to $483 million in 2003/04, of which approximately $410 million of additional spending was authorized through statutory authority under various ministry acts or *Supplementary Estimates*. As a result, a number of exemptions to penalties under the *Balanced Budget and Ministerial Accountability Act* were provided for the Ministries of Forests; Public Safety and Solicitor General; and Agriculture, Food and Fisheries in respect of the 2003/04 fiscal year.

Due to the severity of the 2003 fire season, the provincial government was able to obtain federal cost-sharing assistance estimated at $120 million. In addition, the federal government also provided military support personnel at no cost to the province.

- 2010 Winter Olympics Accelerated Spending – Vancouver was selected as the host city for the 2010 Winter Olympics in July 2003. Due to expenditure savings across government, and in particular lower debt interest costs, the provincial government accelerated $72 million of its future commitment to the 2010 Winter Olympics by obtaining a *Supplementary Estimate* and an

exemption under the *Balanced Budget and Ministerial Accountability Act* at year-end. In total, spending for the 2010 Winter Olympics was $111 million in 2003/04 and included the $72 million *Supplementary Estimate* plus $39 million of budgeted spending in the Ministry of Community, Aboriginal and Women's Services.

Taxpayer-supported Crown Corporations and Agency Expenses

Taxpayer-supported Crown corporations and agencies provide a number of services to the public. These agencies are primarily funded from ministry sources, but may also have outside sources of revenue. Some of the services provided by taxpayer-supported Crowns are highway construction (BC Transportation Financing Authority), property management (BC Buildings), property assessment, (B.C. Assessment Authority), social housing (BC Housing Management Commission), transit services (BC Transit), and legal services (Legal Services Society).

Revenue and spending of taxpayer-supported Crown corporations are combined with CRF revenue and expenses in Tables 2.3 and 2.4. Revenues and expenses for individual taxpayer-supported Crown corporations are detailed in Appendix Table A2.12.

As most taxpayer-supported Crowns are funded in part from ministry budgets, their impact on total government spending is the amount by which their total spending exceeds any grants and transfers made to these organizations by the ministries and special offices.

The net spending (total spending less grants and internal transfers) impact of taxpayer-supported Crowns was $1,393 million in 2003/04 – $242 million higher than budget. This was offset by a $273 million decrease in expenses for which costs were directly recovered from external parties.

The increase in net spending impact was primarily due to the introduction of two new agencies and higher spending by a number of other Crowns. The spending increases were partially offset by higher revenue. The decrease in cost recovered expenses was primarily due to lower interest costs on loans for which the government acts as a fiscal agent on behalf of its commercial Crown corporations. The government expenses the interest and reports the recovery as offsetting revenue.

Expenses recovered from external entities are ministry expenses that have a dedicated source of revenue. While ministry budgets are shown net of recoveries, generally accepted accounting principles require these expenses and the associated revenue to be separately disclosed in government's financial statements. Changes to budgeted recoveries result from fluctuations in demand and/or introduction of new or short term programs under section 25 of the *Financial Administration Act*. However, as recovered expenses cannot exceed the revenue received for the program, any change in expense is matched by an equal and offsetting change in revenue, resulting in no bottom line impact.

Full-Time Equivalents (FTEs)

Staff utilization is measured in full-time equivalents. FTEs are calculated by dividing the total hours of employment paid for in a given period by the number of hours an individual, full-time person would normally work in that period. In 2003/04, FTEs were 1,215 below budget and 4,244 lower than the previous year (see Table 2.6).

Table 2.6 Full-Time Equivalents (FTEs) Utilization

	Budget 2003/04	Actual 2003/04	Actual 2002/03 [1]	Annual Change [2]
				(per cent)
Ministries and special offices (CRF)	29,049	28,684	29,751	(3.6)
Taxpayer-supported Crown corporations and agencies	5,270	4,570	7,747	(41.0)
Regional authorities	150	-	-	-
Total FTEs	**34,469**	**33,254**	**37,498**	(11.3)

[1] Comparative figures for taxpayer-supported Crown corporations and agencies have been restated to include the Forensic Psychiatric Services Commission (448 FTEs) and Partnerships BC Ltd. (25 FTEs).

[2] Percentage change between 2003/04 actual and 2002/03 actual.

Ministry and special offices utilization was 365 FTEs lower than budget. Higher-than-expected participation in voluntary departure and early retirement programs more than offset the higher than normal requirements to fight forest fires and a delay in transferring 150 FTEs to the Children and Family Development governance authorities.

Actual FTE utilization for taxpayer-supported Crown corporations and agencies was 700 FTEs lower than budget. The decrease was primarily due to actual utilization amounts for the Canadian Blood Services not being available at year-end to compare against the budgeted estimate of 545 FTEs and a planned 82 FTE workforce reduction strategy for the Legal Services Society that was not reflected in the budget.

Transfers of Ministry of Children and Family Development personnel (150 FTEs) to the new regional governance authorities have been delayed until the authorities are able to fulfill their role based on ministry readiness criteria.

The reduction in ministry and special offices FTEs as compared to the previous year (1,067 FTEs) reflects the final phase of the three-year workforce reduction strategy. The reduction in Crown corporation and agency FTEs from the previous year (3,177 FTEs) was primarily due to the devolution of BC Ferries to a private sector operator.

Provincial Capital Spending

Capital spending is required to build, acquire or replace assets such as roads, schools, post-secondary facilities, hospitals and related major equipment.

Capital spending does not flow directly to the government's annual surplus or deficit as generally accepted accounting principles require capital costs to be spread out over the useful lives of the related assets through annual amortization expenses.

Table 2.7 Capital Spending [1]

($ millions)	Budget 2003/04	Actual 2003/04	Actual 2002/03	Annual Change
Taxpayer-supported				(per cent)
Education	407	354	367	(3.5)
Health	203	140	117	19.7
BC Transportation Financing Authority	298	370	255	45.1
BC Ferries	-	-	58	(100.0)
Rapid Transit Project 2000	42	14	59	(76.3)
Vancouver Convention Centre Expansion Project	67	44	-	-
Government operating (ministries)	325	185	183	1.1
Other [2]	108	19	92	(79.3)
Total taxpayer-supported	**1,450**	**1,126**	**1,131**	(0.4)
Self-supported commercial				
BC Hydro	820	636	741	(14.2)
BC Rail	39	33	52	(36.5)
Columbia River power projects [3]	76	100	54	85.2
Insurance Corporation of British Columbia [4]	71	26	41	(36.6)
BC Lotteries	52	49	30	63.3
Liquor Distribution Branch	5	2	9	(77.8)
Total self-supported commercial	**1,063**	**846**	**927**	(8.7)
Total capital spending	**2,513**	**1,972**	**2,058**	(4.2)

[1] Net of expenditures funded by non-provincial government sources including the federal government, hospital districts, universities and the Greater Vancouver Transportation Authority (*TransLink*).

[2] Includes BC Housing Management Commission, Provincial Rental Housing Corporation, BC Buildings, Ministry of Attorney General, Ministry of Public Safety and Solicitor General, Ministry of Children and Family Development and BC Transit.

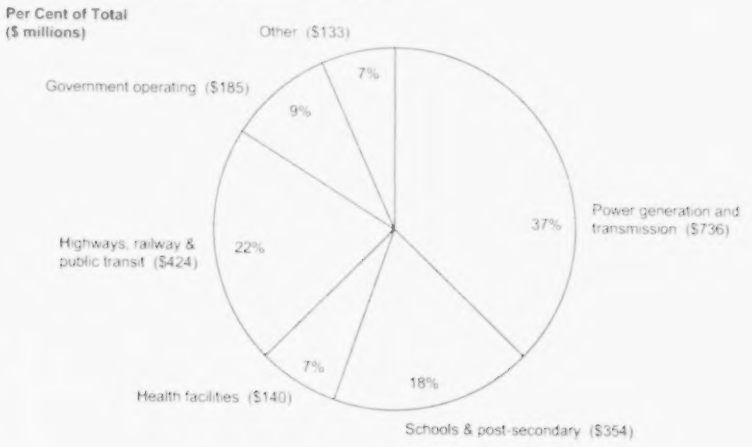
[3] Columbia Power Corporation and Columbia Basin Trust.

[4] Includes ICBC Properties Ltd.

Capital spending in 2003/04 totaled $2.0 billion, $541 million below budget. Power generation and transmission projects accounted for 37 per cent of the total, schools and health facilities for 25 per cent, and transportation projects for 22 per cent (see Chart 2.3).

Taxpayer-supported capital spending includes schools, hospitals, post-secondary facilities and transportation projects, plus minor capital spending by ministries and other minor taxpayer-supported agencies. In 2003/04, spending of $1.1 billion was $324 million below budget due to reduced spending for health and education facilities, *SkyTrain*, and ministry minor capital purchases. This was partially offset by the reclassification to capital spending of certain BC Transportation Authority expenses to better reflect procurement and investment strategies.

Chart 2.3 Capital Spending, 2003/04



Total: $1,972 million

Self-supported commercial Crown corporation capital spending includes projects undertaken by BC Hydro, BC Rail, ICBC and for Columbia River power projects. Spending for these agencies totaled $846 million, $217 million below budget mainly due to delayed spending by BC Hydro as proposals to supply Vancouver Island with additional power are evaluated. Lower spending was partially offset by Columbia River power project expenditures that were deferred from prior years.

Table 2.8 shows a summary of capital spending changes since the 2003/04 budget.

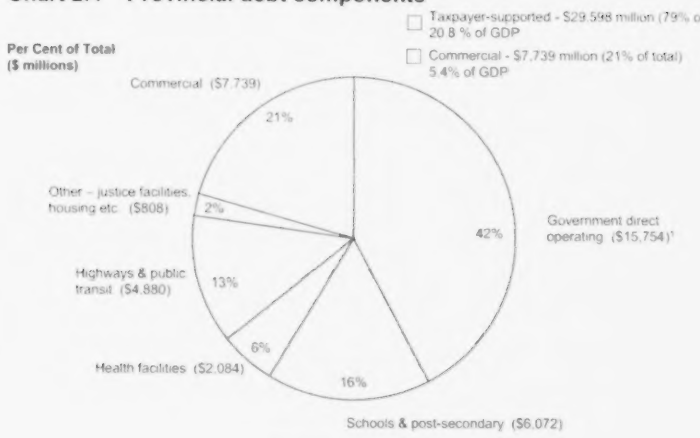
Table 2.8 Capital Spending – Changes from *Budget 2003*

($ millions)	Change	Final Results
Capital spending – *Budget 2003*		**2,513**
Taxpayer-supported		
BC Transportation Financing Authority – mainly accounting treatment to reflect current procurement and investment strategies	72	
Education – mainly delayed construction of school facilities	(53)	
Health – mainly delayed project starts as regional plans are developed	(63)	
Rapid Transit Project 2000 – delayed *SkyTrain* expenditures	(28)	
Government operating – reduced ministry minor capital spending	(140)	
Other [1]	(112)	**(324)**
Self-supported commercial		
BC Hydro – mainly deferred spending for the Vancouver Island generation project	(184)	
Columbia power projects – mainly additional spending deferred from previous years	24	
ICBC – reduced requirements and lower building improvements costs for Surrey Central City	(45)	
Other	(12)	**(217)**
Total change		**(541)**
Capital spending – actual		**1,972**

[1] Includes BC Buildings, Vancouver Convention Centre Expansion Project and other taxpayer-supported Crown corporations.

Provincial Debt

Chart 2.4 Provincial debt components



Total: $37,337 million

¹Amount includes debt to finance deficits, ministry minor capital spending and operating activities. It also includes ferry infrastructure debt and a portion of roads infrastructure debt incurred up to 1994/95.

The government and its Crown corporations borrow to finance their own operations (for example, when revenues fall short of expenses), to finance construction of capital projects or other investments, to refinance maturing debt and to finance working capital needs.

Provincial debt increased $798 million to total $37.3 billion at March 31, 2004, or 26.2 per cent of provincial GDP (see Chart 2.5, Table 2.9 and Appendix Table A2.18). Approximately $28 billion or 75 per cent of total debt reflects investments in capital assets – schools, hospitals, roads, transportation, utilities, and other forms of provincial infrastructure. The remaining $9.3 billion represents accumulated borrowing to fund public services.

Chart 2.5 Provincial debt increase

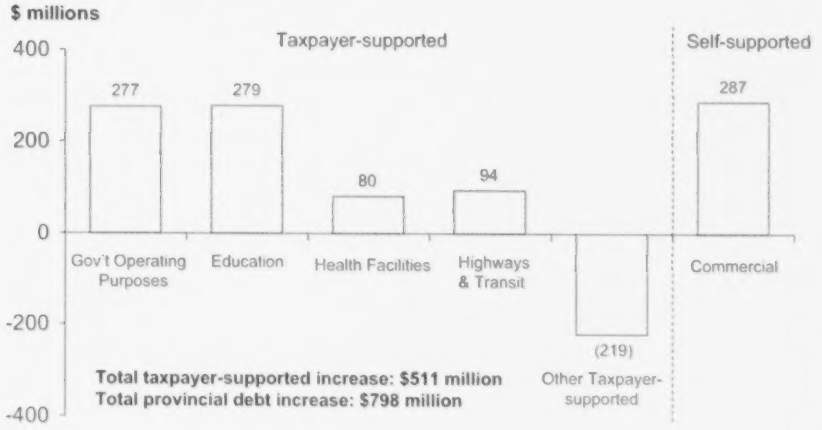


Table 2.9 Provincial Debt Summary [1]

($ millions)	Budget 2003/04	Actual 2003/04	Actual 2002/03	Annual Change
Taxpayer-supported debt				(per cent)
Provincial government direct operating	17,782	15,754	15,477	1.8
Education facilities	6,170	6,072	5,793	4.8
Health facilities	2,205	2,084	2,004	4.0
Highways and public transit	4,987	4,880	4,786	2.0
Other [2]	902	808	1,027	(21.3)
Total taxpayer-supported debt	**32,046**	**29,598**	**29,087**	1.8
Self-supported debt				
Commercial Crown corporations and agencies	8,420	7,739	7,452	3.9
Total self-supported debt	**8,420**	**7,739**	**7,452**	3.9
Forecast allowance	**500**	**-**	**-**	-
Total provincial debt	**40,966**	**37,337**	**36,539**	2.2

[1] Debt is after deduction of sinking funds, unamortized discounts and unrealized foreign exchange gains/(losses), and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for 2002/03 have been restated to conform with the presentation used for 2003/04 and to reflect changes in underlying data.

[2] Includes government services Crown corporations and agencies, other fiscal agency loans, student assistance loans, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

Total debt was $3.6 billion below budget reflecting lower-than-forecast debt balances at the end of the 2002/03 fiscal year, improved government operating results, reduced capital spending, reduced working capital requirements and non-utilization of the forecast allowance.

Taxpayer-supported Debt

Taxpayer-supported debt increased by $511 million to total $29.6 billion at year-end (20.8 per cent of GDP). This was $2.4 billion below budget, mainly reflecting:

- lower-than-forecast debt balances at the end of the 2002/03 fiscal year;
- lower borrowing requirements for government's consolidated revenue fund due to better-than-expected operating results, lower ministry minor capital spending, reduced working capital requirements and higher cash balances at the start of the fiscal year;
- reduced capital spending for education and health facilities; and
- lower working capital requirements for transportation projects.

Self-supported Debt

Self-supported debt totaled $7.7 billion at March 31, 2004 (5.4 per cent of GDP). Debt at year-end was up $287 million from the previous year and $681 million below plan mainly reflecting:

- lower-than-forecast debt balances at the end of the 2002/03 fiscal year; and
- better operating results and decreased working capital requirements for BC Hydro.

Table 2.10 Debt – Changes from *Budget 2003*

($ millions)	Change	Final Results
Provincial debt at March 31, 2004 – *Budget 2003*		**40,966**
March 31, 2003 year-end changes between budget forecast and the 2002/03 *Public Accounts*:		
Taxpayer-supported debt	(221)	
Self-supported commercial	(190)	
Adjusted provincial debt forecast at March 31, 2004 – post *Public Accounts*		**40,555**
Taxpayer-supported debt changes:		
Government operating:		
– Improved operating results	(544)	
– Health accord funding – cash/accrual differences	(390)	
– BC Hydro dividend – cash/accrual differences	(285)	
– Reduced working capital requirements	(370)	
– Higher cash balances at the start of the year	(104)	
– Reduced loans and advances	(84)	
– Reduced minor capital spending	(140)	
Education facilities (mainly lower capital spending)	(78)	
Health facilities (mainly lower capital spending)	(103)	
Transportation (mainly lower working capital requirements)	(62)	
BC Buildings (mainly lower working capital requirements and capital spending)	(50)	
Other (mainly lower working capital requirements)	(17)	
Total taxpayer-supported		**(2,227)**
Self-supported debt changes:		
BC Hydro operating results/working capital requirements	(480)	
Other	(11)	
Total self-supported		**(491)**
Debt forecast allowance not needed		**(500)**
Provincial debt at March 31, 2004 – 2003/04 *Public Accounts*		**37,337**

Table 2.10 shows a summary of debt changes from the 2003/04 budget.

Although the summary accounts deficit was $1.3 billion, total provincial debt only increased $798 million. This was due to numerous factors including non-cash items included in the deficit (primarily amortization costs), timing differences between accrued revenue/expenses and actual cash receipts/disbursements, and changes in working capital items such as accounts receivable and accounts payable. Table 2.11 provides a reconciliation between the summary accounts deficit and the total provincial debt increase.

Table 2.11 Reconciliation of Summary Deficit to Debt Increase – 2003/04

	($ millions)
Summary deficit	**1,339**
Non-cash items included in the deficit (mainly amortization)	(1,154)
Federal government equalization advance	(733)
Supplemental CHST payment deferred	(390)
Taxpayer-supported capital expenditures	1,126
Other working capital and investment requirements	323
Self-supported Crown corporations debt changes	287
Total provincial debt increase	**798**

Credit Rating

A credit rating is an evaluation of a borrower's ability to pay interest and to repay principal. A credit rating affects the borrower's debt servicing costs and the investor's rate of return since an investor will demand a higher interest rate on a higher-risk, lower-rated security. Table 2.12 provides an interprovincial comparison of credit ratings.

Table 2.12 Interprovincial Comparison of Credit Ratings, June 2004

	Rating Agency[1]		
Province	Moody's Investors Service	Standard and Poor's	Dominion Bond Rating Service
British Columbia	Aa2	AA-	AA (Low)
Alberta	Aaa	AAA	AAA
Saskatchewan	Aa3	AA-	A
Manitoba	Aa2	AA-	A (High)
Ontario	Aa2	AA	AA
Quebec	A1	A+	A
New Brunswick	Aa3	AA-	A
Nova Scotia	A3	A-	BBB (High)
Prince Edward Island	A2	Not Rated	A (Low)
Newfoundland	A3	A-	BBB

[1] The rating agencies assign letter ratings to borrowers. The major categories, in descending order of credit quality are: AAA/Aaa; AA/Aa; A; BBB/Baa; BB/Ba; and B. The "1", "2", "3", "high", "low", "+", and "-" modifiers show relative standing within the major categories. For example, AA+ exceeds AA and Aa2 exceeds Aa3.

The ratio of taxpayer-supported debt relative to gross domestic product is a measure often used by investors and credit rating agencies when analyzing a province's ability to manage its debt load. British Columbia's taxpayer-supported debt to gross domestic product ratio is one of the lowest in Canada, translating into a strong credit rating and lower debt service costs.

Debt Indicators

Table 2.13 provides a historical summary of financial indicators that are used to depict the province's debt position, recent borrowing trends and the impact of debt on fiscal operating results.

Table 2.13 Key Debt Indicators – 1999/2000 to 2003/04 [1]

	1999/2000	2000/01	2001/02	2002/03	Budget 2003/04	Actual 2003/04
Debt to revenue (per cent)						
Total provincial	101.4	82.7	94.8	108.9	112.1	104.2
Taxpayer-supported	100.6	90.0	104.2	116.2	124.4	112.4
Debt per capita ($) [2]						
Total provincial	8,549	8,321	8,764	8,879	9,800	9,003
Taxpayer-supported	6,247	6,172	6,668	7,069	7,667	7,137
Debt to GDP (per cent) [3]						
Total provincial	28.4	25.6	27.1	27.0	29.4	26.2
Taxpayer-supported	20.7	19.0	20.6	21.5	23.0	20.8
Interest bite (cents per dollar of revenue) [4]						
Total provincial	7.5	6.4	6.4	6.7	7.3	6.3
Taxpayer-supported	7.2	6.8	6.6	6.6	7.7	6.5
Interest costs ($ millions)						
Total provincial	2,528	2,604	2,423	2,233	2,666	2,241
Taxpayer-supported	1,785	1,871	1,724	1,662	1,982	1,707
Interest rate (per cent) [5]						
Taxpayer-supported	7.4	7.5	6.6	5.9	6.5	5.8
Background Information:						
Revenue ($ millions)						
Total provincial [6, 7]	33,804	40,618	37,689	33,545	36,528	35,824
Taxpayer-supported [8]	24,909	27,690	26,108	25,034	25,757	26,334
Total debt ($ millions)						
Total provincial	34,289	33,609	35,741	36,539	40,966	37,337
Taxpayer-supported [9]	25,057	24,930	27,193	29,087	32,046	29,598
Provincial GDP ($ millions) [10]	120,921	131,086	132,050	135,552	139,540	142,418
Population (thousands at July 1) [11]	4,011	4,039	4,078	4,115	4,180	4,147

[1] Figures for prior years have been restated to conform with the presentation used for 2004 and to include the effects of changes in underlying data and statistics.

[2] The ratio of debt to population (e.g. debt at March 31, 2004 divided by population at July 1, 2003).

[3] The ratio of debt outstanding at fiscal year end to provincial nominal gross domestic product (GDP) for the calendar year ending in the fiscal year (e.g. debt at March 31, 2004 divided by 2003 GDP).

[4] The ratio of interest costs (less sinking fund interest) to revenue. Figures include capitalized interest expense in order to provide a more comparable measure to outstanding debt.

[5] Weighted average of all outstanding debt issues.

[6] Includes revenue of the consolidated revenue fund plus revenue of all Crown corporations and agencies.

[7] Total provincial revenue has been restated to reflect a change in accounting policy for power utilities. Electricity trade activities that are supported by derivative purchases and sales are now reported on a net basis (no bottom line impact). This resulted in a revenue decrease (and offseting decrease in expense) of $1.3 billion in 2002/03 and $1.1 billion in 2003/04 for BC Hydro. Amounts for prior years have not been restated as information is not available. This restatement affects the calculation of two indicators: total provincial debt to revenue and total provincial interest bite.

[8] Excludes revenue of commercial Crown corporations and agencies.

[9] Excludes debt of commercial Crown corporations and agencies and funds held under the province's warehouse borrowing program.

[10] GDP for the calendar year ending in the fiscal year (e.g. GDP for 2003 is used for the fiscal year ended March 31, 2004).

[11] Population at July 1st within the fiscal year (e.g. population at July 1, 2003 is used for the fiscal year ended March 31, 2004).

Forest Fires in British Columbia, 2003

Worst Fire Season On Record

Table 1: British Columbia Forest Fires 1993 – 2003

Year	Fires	Hectares	Fire Fighting Costs [1]
	(Number)	(Number)	($ millions)
2003	2,479	264,747	371
2002	1,781	8,581	38
2001	1,266	9,677	54
2000	1,539	17,673	53
1999	1,207	11,581	21
1998	2,665	76,574	154
1997	1,175	2,960	19
1996	1,358	20,669	37
1995	1,474	48,080	38
1994	4,088	30,310	91
1993	1,497	5,183	25
Average (1993 to 2002)	**1,805**	**23,129**	**53**

[1] Includes direct fire fighting costs in the Ministry of Forests (excluding year-end overhead chargebacks). Does not include additional costs for emergency response under the Provincial Emergency Program in the Ministry of Public Safety and Solicitor General or other ministries.

In British Columbia, 2003 was the worst fire season on record with 2,479 fires and over 260,000 hectares damaged. From 1993 through 2003 the annual average number of fires was under 2,000 with an annual average of about 23,000 hectares burned. However, describing an average or typical fire season is difficult given the significant variation from year to year in number of fires, their size and proximity to communities.

Forest fires that threaten homes and communities are referred to as urban interface fires. Interface fires are generally more expensive to fight and require response by the Forest Service, RCMP, B.C. Ambulance Service, local government fire departments, and the Provincial Emergency Program. In 2003, there were 25 interface fires, compared to less than five per year historically.

Total direct fire fighting costs were about $363 million, and at the height of fire fighting efforts in late August the province was spending almost $9 million a day on fire suppression. The province-wide state of emergency, which was declared on August 2, 2003, was extended to September 15 due to the extreme fire hazard conditions. At the peak of the disaster, 5,500 personnel were engaged in the fire suppression efforts, including Canadian military personnel.

Direct Impact on Fiscal Plan and Funding Sources

Despite record fire-related costs for the year, improvements in other areas of the budget, such as ministry program savings, higher than budgeted revenues and Crown corporation improvements, helped to ensure that these costs were managed within the overall fiscal plan. The following table provides an overview of costs for forest fire response and remediation in 2003/04. Certain costs, such as clean up and remediation related to the 2003 season, will continue into the 2004/05 fiscal year.

Table 2: Forest Fire Response and Remediation Costs – 2003/04

$ millions	Actual Costs	Available Budget	Change From Budget
Ministry of Forests:			
Direct fire fighting	363	55	308
Clean up and remediation	8	-	8
Ministry of Public Safety and Solicitor General:			
Emergency response	66	3	63
Total	**437**	**58**	**379**

The federal government designated the firestorms as an event eligible for federal assistance. Based on the Disaster Financial Assistance Agreement between the province and the federal government, $120 million was recorded as a provincial revenue recovery under this agreement in 2003/04. Further recoveries may be recorded in 2004/05 as the province continues with remediation and clean up resulting from the 2003 events.

Both the Ministry of Forests and the Ministry of Public Safety and Solicitor General may access additional funds under what is known as statutory spending authority if their budgets for

emergencies like fires and floods are insufficient to meet actual costs for fire suppression or emergency response. This type of spending authority was expressly put into the legislation so that there would be no delay in responding to emergency situations.

Due to the extraordinary nature of the forest-fire related costs in 2003/04, exemptions were provided to the responsible ministers for the purposes of the *Balanced Budget and Ministerial Accountability Act*.

Firestorm 2003 Provincial Review

With dry weather in 2003, wildfires were a threat to British Columbia communities, particularly in the Interior. The government undertook a review of its wildfire policies and procedures after the catastrophic events of 2003. The Filmon Firestorm 2003 Provincial Review discussed and recommended how the government can be better prepared to deal with future wildfires. As a result, the government began the process of implementing all 42 of the review's recommendations. For more information on these recommendations, please see the report at:

http://www.2003firestorm.gov.bc.ca/firestormreport/FirestormReport.pdf.

Government Restructuring Update

In January 2002, the government announced its three-year restructuring plan. The plan, which forecast an average reduction to ministry spending targets, apart from health and education, of 25 per cent over the next three years and a reduction of approximately 11,800 full time equivalents (FTEs), required most ministries to restructure their programs and activities.

During the same time period, a number of Crown corporations also undertook restructuring activities, primarily in response to direction provided through government's detailed core services review.

Over the three-year period, restructuring costs for ministries and Crown corporations totaled $883 million, of which $790 million related to exit costs[1]. The remaining $93 million related to restructuring activities of ongoing benefit to government.

Ministry Restructuring

Table 1: Government Restructuring Costs

($ millions)	2001/02	2002/03	2003/04	3-Year Total
Ministries				
– Workforce adjustment strategy	96	91	81	268
– Accommodation restructuring	61	107	89	257
– Other restructuring costs	11	22	16	49
Total ministry restructuring costs	**168**	**220**	**186**	**574**
Taxpayer-supported Crown corporations	63	(19)	(9)	35
Commercial Crown corporations	211	79	(16)	274
Total government restructuring costs	**442**	**280**	**161**	**883**

As part of the restructuring initiative, government authorized the expenditure of $550 million over three years to assist in ministry restructuring activities. After annual updates to the plan to address timing issues with respect to ministry restructuring activity, actual ministry restructuring costs over the three-year period totaled $574 million.

[1] Exit costs are incremental one-time costs that have no future benefit to government due to the exit from an operation, location or function.

Ministry restructuring focused on three areas – workforce reduction, accommodation restructuring and other restructuring activities.

In November 2001, the government introduced a workforce adjustment strategy targeted at addressing 11,800 in FTE reductions. The strategy included voluntary departures, early retirement, reduction of auxiliary employees and attrition. It was also expected that, as ministries explored options for alternate service delivery, some pubic servants affected by ministry reductions would secure employment with new service providers. Taking into account auxiliary employees, attrition and transfers to organizations outside the government reporting entity, it was anticipated that approximately 7,300 employees would be impacted by the reduction plan.

During the three-year period, over 6,500 employees took advantage of the voluntary and early retirement programs, creating vacant positions and better placement options for other employees. As a result, the number of involuntary severances was smaller than anticipated. In total, approximately 7,600 employees have left government, exceeding the initial target of 7,300, at an average severance cost of $35,000 per FTE, including all support and related transition costs.

Chart 1 Three-Year Ministry Employee Reductions

The second largest area of restructuring was related to accommodation and primarily included costs associated with space reductions and rearrangements as a result of ministry downsizing, staffing reductions and changes in service delivery. Over the three-year period, more than 1,100 accommodation projects were completed resulting in a reduction of approximately 270,000 square meters of space previously occupied by government ministries. The total cost for this initiative was $257 million. Of this amount, $184 million, or 72 per cent, was attributable to lease payouts. Planning and implementation, tenant improvements and other miscellaneous costs accounted for the remaining $73 million.

Ministries also accessed a total of $49 million over the three-year period for other costs required to support their restructuring plans. These included asset write-offs, contract payouts and/or terminations for services no longer provided by government, changes in business processes to improve efficiencies as well as costs to relocate displaced employees to other positions within government.

Crown Corporation Restructuring

Primarily in response to direction provided through government's detailed core services review, a number of taxpayer-supported and commercial Crown corporations engaged in a series of restructuring activities during this three-year period.

Total restructuring expenses for Crown corporations totaled $309 million. Commercial Crown corporations, including BC Hydro, ICBC and BC Rail, incurred the majority of these costs, accounting for $274 million or 89 per cent of all Crown corporation costs. The remaining $35 million related to restructuring expenses for taxpayer-supported Crown corporations.

Restructuring activities were funded and overseen by individual Crown corporations, as compared to centrally for government ministries.

Fiscal Plan Implications

An improving economy together with continued prudent fiscal management have enabled government to not only improve upon its deficit and debt targets in each of the past three years but also to re-direct some of the additional fiscal room created back into ministry budgets. As a result, at the end of the three-year period, the average reduction to ministry budgets, apart from health and education, was 14 per cent, as compared to the initial reduction target of 25 per cent.

Ongoing ministry savings as a result of the workforce adjustment strategy are anticipated to be between $500 – $600 million annually, beginning in 2004/05. Additional savings are expected in commercial Crown corporations. Annualized savings from ministry accommodation restructuring are projected to be in excess of $63 million.

Appendix 2

Government's Financial Statements

Government Reporting Entity

The provincial government conducts its activities through:

- ministries;
- Crown corporations and agencies; and
- the SUCH sector (school districts; universities; colleges, university colleges and institutes; and health authorities and hospital societies).

The accounts relating to the ministries and other direct activities of government are contained in the Consolidated Revenue Fund (CRF), whose financial results are reported as a separate entity in the *Public Accounts*. The CRF comprises all money over which the legislature has direct power of appropriation. The operations of Crown corporations and agencies and the SUCH sector entities are recorded in their own financial statements, which are subject to audit by the Auditor General or by private-sector auditors. The relationship between the Crown corporations and the legislature is guided by governance agreements between the Crown corporation boards and their responsible ministers. The relationship between the SUCH sector entities and the legislature is set out in statute.

According to generally accepted accounting principles (GAAP) for senior governments as established by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants, the province's financial reporting should consolidate the financial results of all these entities into a single set of financial statements.

The provincial government publishes its financial statements annually in the *Public Accounts*. Currently, as is the practice of other jurisdictions in the rest of Canada, the financial statements only reflect the consolidated results of the CRF and the Crown corporations and agencies. They do not include the financial results of the SUCH sector, although the government publishes SUCH sector financial information in supplemental schedules to the *Public Accounts*.

British Columbia's *Budget Transparency and Accountability Act* (BTAA) requires all financial documents produced by the province under that legislation to fully comply with GAAP starting with the 2004/05 fiscal year. This requirement is now being complied with as the February 2004 Budget consolidates SUCH sector financial results into the province's financial statements.

Implementation of GAAP

For the most part, British Columbia's 2003/04 financial documents comply with GAAP. Revenue and expenditure are recorded on an accrual basis of accounting except when the accruals cannot be determined with a reasonable degree of certainty or when their estimation is impracticable, as is the case with corporation income tax that is recorded on a cash basis. Assets are recorded to the extent that they represent financial claims by government upon outside parties; are items held for resale, prepaid expenses, deferred charges, or prepaid capital advances; or are tangible capital assets. Similarly, liabilities are recorded only if they represent actual or probable financial claims against the government.

Where the accounting policies of taxpayer-supported Crown corporations and agencies differ from those used by the central government in preparing its own consolidated revenue fund financial statements, the Crown corporation and agency financial statements are adjusted to conform to government's accounting policies unless they are following normal standards for their industry.

For 2003/04, the main exceptions to GAAP are:

- the exclusion of the SUCH sector from the government reporting entity; and
- the use of prepaid capital advances to provide capital funding to SUCH organizations.

The provincial government issues advances to the SUCH sector for investment in capital assets. Prior to 1997/98, these advances were categorized as loans. Beginning with the 1997/98 *Public Accounts*, these advances were capitalized in the balance sheet as prepaid capital advances. Prepaid capital advances are amortized in similar fashion to capital assets. With the inclusion of the SUCH sector beginning in 2004/05, prepaid capital advances will be eliminated from the balance sheet and replaced with the actual value of the related tangible capital assets as reported by the SUCH organizations.

Financial Statement Presentation

In 2003/04, the province adopted a GAAP approach to disclosing the revenue and expenses of the government reporting entity in the *Estimates*, *Budget and Fiscal Plan* and *Quarterly Reports*. Under the GAAP format, taxpayer-supported entities[1] are consolidated with the CRF on a line-by-line basis for both the income statement and balance sheet. Self-supported entities are disclosed on a modified equity basis – i.e. their net income is reported as revenue and their retained earnings as an investment. This enables the net effect of government's commercial enterprises to be separated from its taxpayer-supported activities.

The 2003/04 presentation differs from previous years where the consolidated revenue fund, taxpayer-supported Crown corporations and agencies, and self-supported Crown corporations were shown separately on a net basis. The change does not affect the bottom line, only the presentation of revenue and expenses.

While fully consolidating the government's CRF with the taxpayer-supported Crown corporations and agencies, the new presentation maintains CRF ministry expenses (which are detailed in the Estimates for legislative approval) as a key element of the expense statement. In keeping with GAAP requirements, an operating statement using the expense-by-function format is also provided.

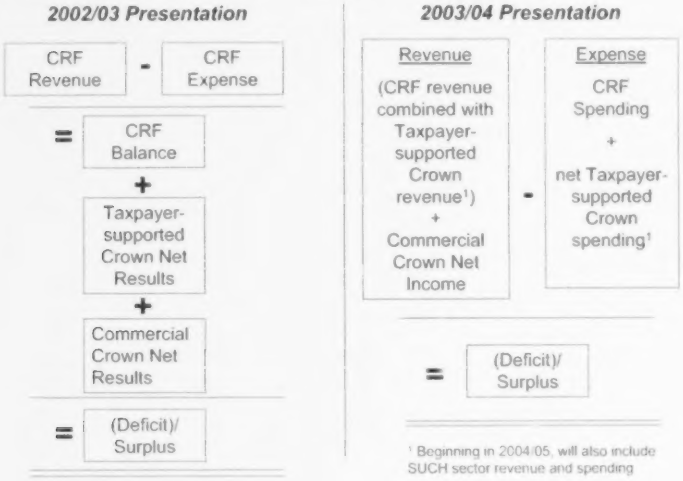
[1] Crown corporations and agencies may be classified as either taxpayer-supported or self-supported. Crown corporations and agencies are considered self-supported if:

- the majority of their operating revenue comes from non-government sources, and
- their operating revenue is sufficient to cover operating and debt service costs, without the need for government grants or other forms of assistance.

Crown corporations and agencies that do not meet these criteria are classified as taxpayer-supported. (All SUCH sector entities are considered taxpayer-supported.)

The change in presentation is a year ahead of the 2004/05 legislated deadline for full GAAP compliance in order to clearly separate the changes relating to the Crown/agency consolidation from the entity expansion that will take place in 2004/05. The change in 2003/04 will have minimal impact on the *Public Accounts* since the taxpayer-supported Crown corporations and agencies are already fully consolidated in that document. Chart A2.1 outlines the change in presentation formats.

Chart A2.1 Changes in Accounting Presentation



In this appendix, unless otherwise noted, current and historical operating results are presented in accordance with the province's accounting polices effective March 31, 2004.

The Financial Cycle

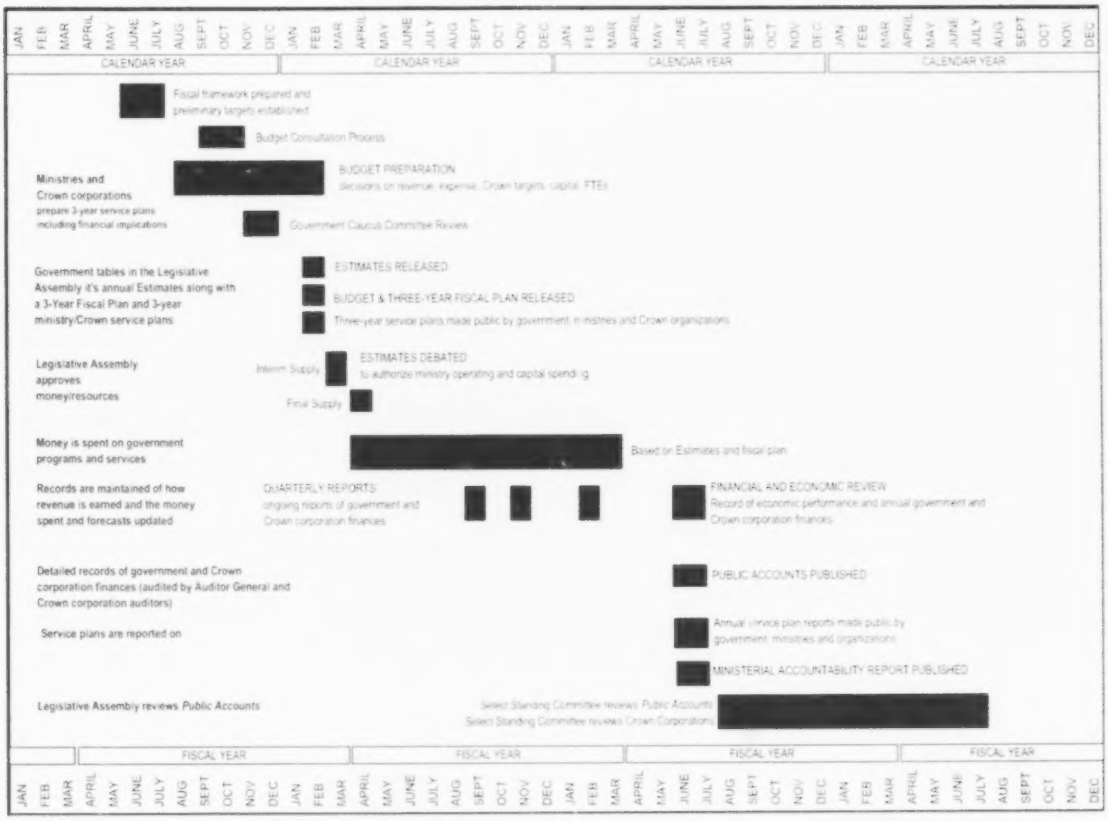
The BTAA outlines the province's reporting requirements during the financial cycle and imposes specific reporting deadlines or release dates for these publications. In particular, fixed dates for presentation of the Throne Speech and budget, as well as dates for quarterly and annual reports, are set by law.

Under the BTAA, the provincial government focuses its budgeting and reporting on a summary accounts basis. The BTAA requirements include reporting on the advice of the Economic Forecast Council, presentation of the annual *Estimates*, *Budget and Fiscal Plan* and *Quarterly Reports* in accordance with GAAP by 2004/05, publication of *Quarterly Reports* with revised forecasts, presentation of the *Public Accounts*, annual three-year service plans and service plan reports for each ministry and government organization, and an annual three-year government strategic plan and report.

Chart A2.2 summarizes the annual financial process of the province. This process consists of four main stages.

- *Planning and Budget Preparation* —Treasury Board reviews longer-term estimates of revenue, expense, capital and debt, and establishes a preliminary fiscal plan within the framework of the government's overall

Chart A2.2 Financial Planning and Reporting Cycle


JAN FEB MAR APRIL MAY JUNE JULY AUG SEPT OCT NOV DEC
CALENDAR YEAR
Fiscal framework prepared and preliminary targets established
Budget Consultation Process
Ministries and Crown corporations prepare 3-year service plans including financial implications
BUDGET PREPARATION
decisions on revenue, expense, Crown targets, capital, FTEs
Government Caucus Committee Review
Government tables in the Legislative Assembly it's annual Estimates along with a 3-Year Fiscal Plan and 3-year ministry/Crown service plans
ESTIMATES RELEASED
BUDGET & THREE-YEAR FISCAL PLAN RELEASED
Three-year service plans made public by government, ministries and Crown organizations
Legislative Assembly approves money/resources
Interim Supply
ESTIMATES DEBATED
to authorize ministry operating and capital spending
Final Supply
Money is spent on government programs and services
Based on Estimates and fiscal plan
Records are maintained of how revenue is earned and the money spent and forecasts updated
QUARTERLY REPORTS
ongoing reports of government and Crown corporation finances
FINANCIAL AND ECONOMIC REVIEW
Record of economic performance and annual government and Crown corporation finances
Detailed records of government and Crown corporation finances (audited by Auditor General and Crown corporation auditors)
PUBLIC ACCOUNTS PUBLISHED
Service plans are reported on
Annual service plan reports made public by government, ministries and organizations
MINISTERIAL ACCOUNTABILITY REPORT PUBLISHED
Legislative Assembly reviews Public Accounts
Select Standing Committee reviews Public Accounts
Select Standing Committee reviews Crown Corporations
FISCAL YEAR

strategic plan. Preliminary high-level targets are provided to ministries and received from Crown corporations. Ministries and Crown corporations prepare three-year service plans, including performance measures and targets, and operating and capital budgets, for review by Treasury Board and/or government Caucus committees. Treasury Board makes decisions on budget allocations for ministries and assesses Crown corporation net income benchmarks based on government revenue forecasts, spending and capital priorities, and debt targets within the context of the fiscal plan. Included as inputs into this process are a consultation paper published by September 15th that invites public comment on issues that need to be addressed in the fiscal and service plans, and province-wide public hearings held by a committee of the legislature. A report outlining the results of the budget consultation process is made public by November 15th of each year.

- *Implementation and Reporting* — The government's revenue, expense and capital plans for the next three fiscal years, as well as other information on the government's finances, are presented to the Legislative Assembly by the Minister of Finance in a budget document called the *Budget and Fiscal Plan*. The financial plan for the next fiscal year is included in the document called the *Estimates*, which describes the individual appropriations to be voted on by the Legislative Assembly. The service plans and a report on major capital projects (those where government contribution exceeds $50 million) must also be tabled. Throughout the year, the authorized funding as specified in

the *Estimates* and ministry service plans is spent on programs and services. Crown corporations follow approved service plans under the direction of their own Boards of Directors. *Quarterly Reports*, including full-year forecasts, are published by legislated dates to provide regular updates to the public on the government's finances.

- *Evaluation* — At the end of the fiscal year, the *Public Accounts* are prepared by the Comptroller General and examined by the Auditor General to ensure that the financial statements fairly present the government's financial position. The *Public Accounts* are augmented by the *British Columbia Financial and Economic Review*, which provides an overview of annual and historical financial and economic results. In addition, annual service plan reports are made public that compare actual results with ministry and Crown corporation performance targets.
- *Accountability* — The *Public Accounts* are presented to the Legislative Assembly and are reviewed by two committees of the Legislative Assembly (the Select Standing Committee on the *Public Accounts* and the Select Standing Committee on Crown corporations). At the same time, the *Ministerial Accountability Report* is published detailing the individual and collective financial performance of cabinet ministers, and the performance and revenue results achieved by the Ministers of State and the Minister of Provincial Revenue. In addition, when the *Public Accounts* are tabled, ministries and most Crown corporations release their service plan reports detailing results for the previous fiscal year. A report on the government's strategic plan is also presented.

Unfunded Pension Liabilities

The province contributes to four defined benefit pension plans for most of its employees. These pension plans are managed under joint trusteeship with the plan members.

The plans and the date of their last actuarial valuation are:

- Public Service Pension Plan, March 31, 2002;
- Municipal Pension Plan, December 31, 2000;
- Teachers' Pension Plan, December 31, 2002; and
- College Pension Plan, August 31, 2003.

Under joint trusteeship, the provincial government has no formal claim on plan surpluses or assets. In the event that a plan is determined to be in a deficit position by an actuarial valuation (performed every three years), the pension boards, by agreement, are required to address the deficit through contribution adjustments or other measures. As a result, it is expected that any unfunded pension liability in the future would be short-term in nature. No unfunded liability exists for the future indexing of pensions, as the obligation is limited to the amount of available assets in separate inflation accounts.

The estimated financial positions of each plan (based on extrapolations of the most recent actuarial valuations) as at March 31, 2004 are as follows:

Table A2.1 Pension Plan Balances

($ millions)	Pension Plan				
	Public Service	Municipal	Teachers'	College	Total
Accrued benefit obligation	(8,986)	(9,049)	(10,566)	(1,331)	(29,932)
Pension fund assets	11,069	10,300	10,182	1,523	33,074
Subtotal	**2,083**	**1,251**	**(384)**	**192**	**3,142**
Unamortized actuarial gain	-	-	776	196	972
Accrued net asset	**2,083**	**1,251**	**392**	**388**	**4,114**

In addition to pension benefits, each of the plans provide some group health and/or dental benefits to retired members. During 2003/04, all of the plans reviewed and curtailed some of these post-retirement group benefits in response to rising costs.

Adjustments to the Accumulated Deficit

During 2003/04, a number of retroactive adjustments were made to the province's financial statements to reflect changes in accounting policy and to correct previously published information. Table A2.2 provides a summary of the changes that have been reviewed and approved by the Office of the Auditor General.

Table A2.2 Summary of Changes in Accumulated Deficit from the 2003/04 *Public Accounts* reported balance

($ millions)	Change	Final Results
Accumulated deficit on March 31, 2002 as reported in the 2002/03 *Public Accounts*		**(4,785)**
Opening balance adjustments due to accounting policy changes in 2003/04:		
Recognition of leave liability for the Health Care Benefits Trust	(30)	
Change from cash to accrual accounting for safety inspection fees	8	
Transfer Crop Insurance Fund trust account to government operations	(8)	
Adjust land account to remove land held on behalf of the federal government	(1)	(31)
Accumulated deficit on March 31, 2002 as reported in the 2003/04 *Public Accounts*		**(4,816)**
2002/03 deficit:		
As reported in the 2002/03 *Public Accounts*	(3,169)	
Adjustments due to accounting policy changes in 2003/04:		
Recognition of an increase in Health Care Benefits Trust leave liability	(23)	
Adjust expenses for School District Building Envelope Program	(7)	(3,199)
Accumulated deficit on March 31, 2003 as reported in the 2003/04 *Public Accounts*		**(8,015)**

The main adjustment to the prior year accumulated deficit relates to the inclusion of the outstanding leave liability for the Healthcare Benefits Trust (HBT). HBT provides sick leave and other collective agreement benefits on behalf of healthcare and social service organizations.

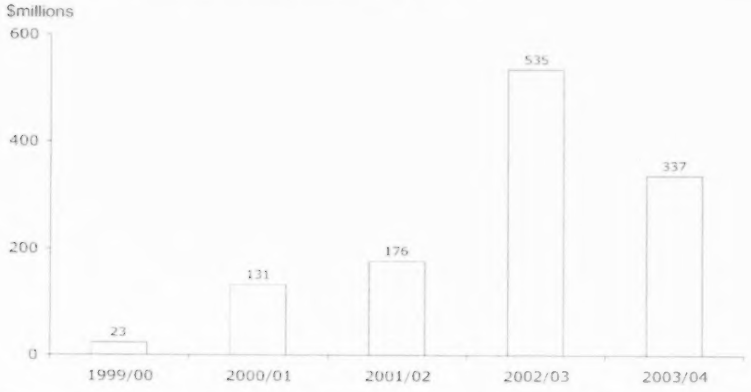
While most of the liability for these benefits rests with the health authorities, some of the agencies covered by HBT are funded directly by the province. Since the province is the sole source of revenue for these agencies, it assumes their share of the HBT liability.

Impact of Including the SUCH Sector

Expanding the government reporting entity to include SUCH organizations requires full consolidation of the financial results of those organizations into the provincial government's budget and financial reports.

As noted in Chart A2.3, the inclusion of the SUCH sector over the past five years would have resulted in a positive impact on the province's bottom line.

Chart A2.3 Net Operating Impact of SUCH[1]



[1] For comparative purposes, historical amounts exclude Regional Hospital Districts to match the presentation used for 2003/04.

While the SUCH sector entities receive 85 per cent of their funding from the provincial government, they also raise direct revenue to help fund their operations. This includes contributions from the federal and municipal governments as well as own-source revenue, such as fees and licences. Including direct SUCH sector revenue would have added approximately $2.3 billion to total provincial government revenue in 2003/04.

Spending by the SUCH sector entities reflects the costs incurred to deliver health and education programs on behalf of the province, in keeping with statutory obligations. These programs are funded by a combination of government grants and direct revenue. SUCH sector entities also deliver enhancements to the government-mandated programs, or provide other related services. The impact on total provincial government spending reflects SUCH entity spending that exceeds the grant funding provided to them. In 2003/04, this amounted to just under $2.0 billion.

The year-over-year variances in net operating impact reflect both decisions on own source revenue as well as timing impacts for program implementation. For example, increases in direct revenue from 2001/02 to 2003/04 are due, in part, to fee increases at post-secondary institutes.

At the same time, revenue may be received in one fiscal year, with the related program being implemented in the next. For example, in 2002/03 direct revenue increased from the previous year, while expense in excess of grant funding declined. In 2003/04, this trend was reversed.

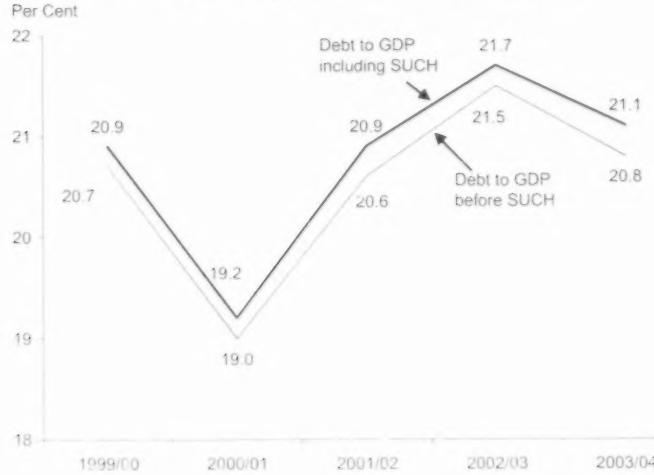
Table A2.3 Financial Impact of SUCH

	1999/00	2000/01	2001/02	2002/03	2003/04
Before Inclusion of SUCH					
Revenue	24,658	27,804	25,574	25,142	26,674
Expense	(24,503)	(26,334)	(28,337)	(28,341)	(28,013)
Surplus/(Deficit) before joint trusteeship	155	1,470	(2,763)	(3,199)	(1,339)
Taxpayer-supported capital spending	1,900	2,028	1,415	1,131	1,126
Taxpayer-supported debt	25,057	24,930	27,193	29,087	29,598
After Inclusion of SUCH					
Revenue	26,527	29,665	27,770	27,615	28,974
Expense	(26,349)	(28,064)	(30,357)	(30,279)	(29,976)
Surplus/(Deficit) before joint trusteeship	178	1,601	(2,587)	(2,664)	(1,002)
Taxpayer-supported capital spending	2,443	2,383	2,070	1,924	1,932
Taxpayer-supported debt	25,266	25,147	27,558	29,456	30,091
Net Fiscal Plan Impact of SUCH					
Revenue (direct revenue)	1,869	1,861	2,196	2,473	2,300
Expense (in excess of grant funding)	(1,846)	(1,730)	(2,020)	(1,938)	(1,963)
Surplus/(Deficit) before joint trusteeship	23	131	176	535	337
Taxpayer-supported capital spending	543	355	655	793	806
Taxpayer-supported debt	209	217	365	369	493

The province provides annual capital grant funding to SUCH organizations towards the acquisition of capital infrastructure and equipment. This funding is provided through a prepaid capital advance. Upon consolidation, this advance is eliminated and replaced by the capital assets of the SUCH organizations. Capital assets for these organizations are funded through both provincial and non-provincial sources.

Although the assets of the SUCH sector are reflected on government's balance sheet, some of the assets owned by these organizations have external restrictions on their use and therefore cannot be used to meet government's general obligations. Examples include endowment funds of post-secondary institutions, and assets owned by denominational hospitals that are used in the delivery of provincial health care services.

Chart A2.4 Taxpayer-Supported Debt Impact of SUCH



As noted in Table A2.3, the addition of SUCH sector debt to the province's balance sheet increases taxpayer-supported debt. This debt is used primarily to finance the construction of post-secondary institutions, hospitals and long-term care facilities. Chart A2.4 illustrates the impact of the additional debt on taxpayer-supported debt to GDP ratios.

In many cases, methods employed by SUCH organizations in tracking employees are different to how government monitors its staffing levels. For this reason, SUCH employees will not be included in government's annual staff utilization (FTEs).

Supplementary Schedules

The following tables provide multi-year financial information of the Government of British Columbia including revenue, expense, debt and summarized operating results of major Crown corporations. Information on provincial taxes as of July 2004 is also presented at the end of this appendix.

Table A2.4 Operating Statement – 1999/2000 to 2003/04[1]

($ millions)	1999/2000	2000/01	2001/02	2002/03	2003/04
Taxpayer-supported programs and agencies:					
Revenue	23,363	26,079	24,489	23,376	24,793
Expense	(24,503)	(26,334)	(28,337)	(28,341)	(28,013)
Taxpayer-supported balance	**(1,140)**	**(255)**	**(3,848)**	**(4,965)**	**(3,220)**
Commercial Crown corporation net income	1,295	1,725	1,085	1,766	1,881
Surplus/(deficit) before joint trusteeship	**155**	**1,470**	**(2,763)**	**(3,199)**	**(1,339)**
Joint trusteeship	-	(52)	1,464	-	-
Surplus/(deficit)	**155**	**1,418**	**(1,299)**	**(3,199)**	**(1,339)**

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2004.

Table A2.5 Operating Statement Update Since the Third *Quarterly Report*

($ millions)	Changes	Updated Forecast
***Budget 2003* Fiscal Plan (February 18, 2003)**		**(2,300)**
First Ministers' Accord on Health Care Renewal:		
Additional revenues from the federal government	319	
Additional BC commitments to health care	(319)	-
Fiscal Plan (May 29, 2003 *Supply Act*)		**(2,300)**
Revenue increases up to the third *Quarterly Report*	495	
Expense increases up to the third *Quarterly Report*	(305)	
Forecast allowance changes up to the third *Quarterly Report*	400	590
2003/04 deficit – third *Quarterly Report* (February 17, 2004)		**(1,710)**
2003/04 *Public Accounts* Update:		
Revenue changes		
Social service tax revenue – strong fourth quarter sales	56	
Corporation capital tax revenue – mainly higher audit recoveries	23	
Other taxes – mainly Insurance premium tax	60	
Energy revenue – mainly lower natural gas volumes	(29)	
CHST and equalization entitlements – mainly impact of higher BC economic growth and weaker Ontario economic growth in 2003:		
– prior year equalization adjustment	43	
– 2003/04 equalization entitlement	(224)	
– CHST (lower 2003/04 entitlement, partially offset by increase for prior years)	(104)	
Federal funding for First Nations' K-12 education sent directly to school districts	(52)	
All other taxpayer-supported revenue – mainly higher recoveries for health related expenses and other miscellaneous sources, partially offset by lower sales of goods and services by taxpayer-supported Crown corporations	240	
Commercial Crown corporation operating results:		
BC Hydro – provision for VIGP/GSX project costs	(120)	
BC Rail – delayed completion of investment partnership	(182)	
ICBC – higher revenues and lower claims and insurance operations costs	134	
Other Crown corporation changes – primarily LDB operating improvements	15	
Net revenue decrease		**(140)**
Expense changes		
BC Rail delayed completion of investment partnership – reinvestment in Northern and First Nations communities, and other initiatives deferred to 2004/05	182	
BC Rail delayed completion of investment partnership – cash distribution to the BC Transportation Financing Authority deferred to 2004/05	200	
First Nations K-12 education costs funded directly be federal contribution	52	
Additional interest cost savings	17	
Other ministry savings	285	
CRF expense decreases	736	
Delayed BC Rail cash distribution to the BC Transportation Financing Authority	(200)	
Other taxpayer-supported Crown corporation and agency expenses and adjustments	(125)	
Net expense decrease		**411**
Forecast allowance reduction		**100**
Total change		**371**
2003/04 deficit – *Public Accounts*		**(1,339)**

Table A2.6 Statement of Financial Position – 1999/2000 to 2003/04 [1]

($ millions)	1999/2000	2000/01	2001/02	2002/03	2003/04
Financial assets					
Cash and temporary investments	1,569	548	780	327	430
Other financial assets	4,150	4,519	4,405	4,034	4,789
Investments in commercial Crown corporations					
Retained earnings	2,820	3,001	2,520	2,629	2,989
Recoverable capital loans	7,434	7,234	7,359	7,381	7,602
	10,254	10,235	9,879	10,010	10,591
Warehouse borrowing program assets	1,320	1,312	1,067	-	-
	17,293	**16,614**	**16,131**	**14,371**	**15,810**
Liabilities					
Accounts payable & accrued liabilities	5,605	4,842	3,559	3,881	4,778
Deferred revenue	537	590	631	718	1,292
Debt:					
Taxpayer-supported debt	25,057	24,930	27,193	29,087	29,598
Self-supported debt	9,232	8,679	8,548	7,452	7,739
Total provincial debt	34,289	33,609	35,741	36,539	37,337
Less: guarantees and non-guaranteed debt	(934)	(597)	(464)	(415)	(399)
	33,355	33,012	35,277	36,124	36,938
	39,497	**38,444**	**39,467**	**40,723**	**43,008**
Net liabilities	**(22,204)**	**(21,830)**	**(23,336)**	**(26,352)**	**(27,198)**
Capital and other assets					
Prepaid capital advances	6,517	6,905	7,033	7,108	7,136
Tangible capital assets	10,475	11,090	11,205	10,949	10,482
Other assets	277	318	282	280	226
	17,269	**18,313**	**18,520**	**18,337**	**17,844**
Accumulated surplus (deficit)	**(4,935)**	**(3,517)**	**(4,816)**	**(8,015)**	**(9,354)**

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2004.

Table A2.6a Changes in Financial Position – 1999/2000 to 2003/04

($ millions)	1999/2000	2000/01	2001/02	2002/03	2003/04
(Surplus) deficit for the year	**(155)**	**(1,418)**	**1,299**	**3,199**	**1,339**
Working capital changes					
Increase (reduction) in cash and temporary investments	778	(1,021)	232	(453)	103
Other working capital changes	508	1,120	1,092	(782)	(770)
	1,286	**99**	**1,324**	**(1,235)**	**(667)**
Capital asset and investment changes					
Increase in taxpayer-supported capital investments	1,900	2,028	1,415	1,131	1,126
Less: amortization and other accounting changes	(1,074)	(1,025)	(1,172)	(1,312)	(1,565)
	826	1,003	243	(181)	(439)
Increase in total investment in commercial Crown corporations	771	771	410	984	1,206
Less: loan repayments and other accounting changes	(1,400)	(790)	(766)	(853)	(625)
	(629)	(19)	(356)	131	581
Increase (decrease) in warehouse borrowing investments	662	(8)	(245)	(1,067)	-
	859	**976**	**(358)**	**(1,117)**	**142**
Increase (decrease) in guarantees and non-guaranteed debt	**227**	**(337)**	**(133)**	**(49)**	**(16)**
Increase (decrease) in total provincial debt	**2,217**	**(680)**	**2,132**	**798**	**798**

Table A2.7 Revenue by Source[1] – 1999/2000 to 2003/04

($ millions)	1999/2000	2000/01	2001/02	2002/03	2003/04
Taxation revenue					
Personal income	5,824	5,963	5,366	4,150	4,877
Corporate income	943	1,054	1,522	612	775
Social service	3,332	3,626	3,552	3,794	4,001
Fuel	702	715	659	687	875
Tobacco	498	460	499	606	647
Property	1,433	1,452	1,481	1,541	1,576
Property transfer	245	262	303	407	518
Other [2]	770	771	728	555	539
	13,747	14,303	14,110	12,352	13,808
Natural resource revenue					
Natural gas royalties	328	1,249	836	1,056	1,230
Columbia River Treaty	100	632	360	100	230
Other energy and minerals	402	669	533	532	878
Forests	1,693	1,341	1,253	1,323	1,007
Other resources	311	308	298	270	308
	2,834	4,199	3,280	3,281	3,653
Other revenue					
Medical Services Plan premiums	867	894	954	1,355	1,409
Motor vehicle licences and permits	334	339	342	351	363
BC Ferries tolls	292	292	306	315	-
Other fees and licences	568	655	619	577	655
Investment earnings	984	975	811	640	582
Sales of goods and services	240	545	335	275	229
Miscellaneous [3]	520	787	651	629	748
	3,805	4,487	4,018	4,142	3,986
Contributions from the federal government					
Canada Health and Social Transfer	2,438	2,619	2,445	2,606	3,044
Equalization	125	-	158	543	(330)
Other cost shared agreements [4]	414	471	478	452	632
	2,977	3,090	3,081	3,601	3,346
Taxpayer-supported programs and agencies	**23,363**	**26,079**	**24,489**	**23,376**	**24,793**
Commercial Crown corporations					
BC Hydro (before transfers)	545	549	258	352	77
Liquor Distribution Branch	617	642	637	654	724
BC Lotteries	532	562	606	671	728
BC Rail	(582)	(7)	(107)	(84)	66
ICBC	96	139	(251)	45	225
Other	1	4	-	14	8
Accounting adjustments	86	(164)	(58)	114	53
	1,295	**1,725**	**1,085**	**1,766**	**1,881**
Total revenue	**24,658**	**27,804**	**25,574**	**25,142**	**26,674**

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2004.

[2] Includes revenue from corporation capital, insurance premium and hotel room taxes.

[3] Includes asset dispositions, other services provided to external agencies and other recoveries.

[4] Includes contributions for health, education, housing and social service programs, for transportation projects, and for coastal ferry services.

Table A2.8 Five-Year Revenue by Source[1] – Supplementary Information

	1999/2000	2000/01	2001/02	2002/03	2003/04
Per Cent of GDP: [2]			(per cent)		
Taxation	11.4	10.9	10.7	9.0	9.7
Natural resource	2.3	3.2	2.5	2.4	2.6
Other	3.1	3.4	3.0	3.1	2.8
Contributions from the federal government	2.5	2.4	2.3	2.7	2.3
Commercial Crown operating results	1.1	1.3	0.8	1.3	1.3
Total Revenue	**20.4**	**21.2**	**19.4**	**18.5**	**18.7**
Growth Rates:			(per cent)		
Taxation	1.6	4.0	-1.3	-12.5	11.8
Natural resource	40.2	48.2	-21.9	0.0	11.3
Other	-2.6	17.9	-10.5	3.1	-3.8
Contributions from the federal government	27.0	3.8	-0.3	16.9	-7.1
Commercial Crown operating results	-14.8	33.2	-37.1	62.8	6.5
Total Revenue	**5.7**	**12.8**	**-8.0**	**-1.7**	**6.1**
Per Capita Revenue: [3]			(dollars)		
Taxation	3,426	3,541	3,459	3,002	3,330
Natural resource	707	1,040	804	797	881
Other	949	1,111	985	1,007	961
Contributions from the federal government	742	765	755	875	807
Commercial Crown operating results	323	427	266	429	454
Total Revenue	**6,147**	**6,884**	**6,271**	**6,110**	**6,433**
Real Per Capita Revenue (2003 dollars) [4]	6,653	7,316	6,553	6,241	6,433
– growth rate (per cent)	3.8	10.0	-10.4	-4.8	3.1

[1] Revenue has been restated to reflect the government's accounting policy at March 31, 2004. Figures exclude dedicated revenue collected on behalf of, and transferred to, the Greater Vancouver Transportation Authority (*Translink*) and other public bodies outside of the government reporting entity.

[2] Revenue as a per cent of GDP is calculated using GDP for the calendar year ending in the fiscal year (e.g. 2003/04 revenue divided by GDP for the 2003 calendar year). Totals may not add due to rounding.

[3] Per capita revenue is calculated using July 1 population (e.g. 2003/04 revenue divided by population on July 1, 2003).

[4] Revenue is converted to real (inflation-adjusted) terms using the consumer price index (CPI) for the corresponding calendar year (e.g. 2003 CPI for 2003/04 revenue). Totals may not add due to rounding.

Table A2.9 Expense By Function[1] – 1999/2000 to 2003/04

($ millions)	1999/2000	2000/01	2001/02	2002/03	2003/04
Health	8,113	9,104	10,093	10,724	10,945
Education	6,004	6,385	6,871	6,898	6,899
Social services	3,142	3,279	3,484	3,151	2,871
Protection of persons and property	1,297	1,314	1,366	1,422	1,565
Transportation	1,698	1,560	1,556	1,744	1,267
Natural resources and economic development	1,450	1,794	1,852	1,533	1,496
Other	600	590	664	667	906
Government restructuring [2]	-	-	224	169	122
General government	430	435	564	539	491
Debt servicing	1,769	1,873	1,663	1,494	1,451
Total expense	24,503	26,334	28,337	28,341	28,013

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2004.
[2] Exit costs only. Restructuring costs that benefit ongoing government operations are allocated to the appropriate function. See Table A2.11a for details on total government restructuring expense.

Table A2.10 Five-Year Expense by Function[1] – Supplementary Information

	1999/2000	2000/01	2001/02	2002/03	2003/04
Per Cent of GDP:			(per cent)		
Health care	6.7	6.9	7.6	7.9	7.7
Education	5.0	4.9	5.2	5.1	4.8
Social services	2.6	2.5	2.6	2.3	2.0
Protection of persons and property	1.1	1.0	1.0	1.0	1.1
Transportation	1.4	1.2	1.2	1.3	0.9
Natural resources and economic development	1.2	1.4	1.4	1.1	1.1
Other expense	0.5	0.5	0.5	0.5	0.6
General government [2]	0.4	0.3	0.6	0.5	0.4
Debt servicing	1.5	1.4	1.3	1.1	1.0
Total expense	**20.3**	**20.1**	**21.5**	**20.9**	**19.7**
Growth Rates:			(per cent)		
Health care	7.4	12.2	10.9	6.3	2.1
Education	3.0	6.3	7.6	0.4	0.0
Social services	-1.0	4.4	6.3	-9.6	-8.9
Protection of persons and property	14.0	1.3	4.0	4.1	10.1
Transportation	-17.4	-8.1	-0.3	12.1	-27.4
Natural resources and economic development	-7.2	23.7	3.2	-17.2	-2.4
Other expense	-0.2	-1.7	12.5	0.5	35.8
General government [2]	-2.1	1.2	81.1	-10.2	-13.4
Debt servicing	-10.2	5.9	-11.2	-10.2	-2.9
Total expense	**0.7**	**7.5**	**7.6**	**0.0**	**-1.2**
Per Capita Expense:			(dollars)		
Health care	2,023	2,254	2,475	2,606	2,640
Education	1,497	1,581	1,685	1,676	1,664
Social services	783	812	854	766	692
Protection of persons and property	323	325	335	346	377
Transportation	423	386	382	424	306
Natural resources and economic development	361	444	454	373	361
Other expense	150	146	163	162	218
General government [2]	107	108	193	172	148
Debt servicing	441	464	408	363	350
Total expense	**6,108**	**6,520**	**6,948**	**6,887**	**6,756**
Real Per Capita Expense (2003 dollars)	6,610	6,929	7,260	7,035	6,756
– growth rate (per cent) [2]	-1.1	4.8	4.8	-3.1	-4.0

[1] Comparative figures have been restated to reflect government's accounting policies in effect at March 31, 2004.

[2] Includes restructuring costs.

Note: Per capita expense is calculated using July 1 population (e.g. 2003/04 expense divided by population on July 1, 2003). Similarly, expense as a per cent of GDP is calculated using GDP for the calendar year ending in the fiscal year (e.g. 2003/04 expense divided by GDP for the 2003 calendar year). Expense is converted to real (inflation-adjusted) terms using the consumer price index (CPI) for the corresponding calendar year (e.g. 2003 CPI for 2003/04 expense). Totals may not add due to rounding.

Table A2.11a Government Restructuring Costs

($ millions)	2001/02	2002/03	2003/04
Taxpayer-supported exit expense: [1]			
Consolidated Revenue Fund:			
Government Restructuring (All Ministries) Vote	81	185	124
Ministry budgets	23	3	7
Contingencies Vote	57	-	-
	161	188	131
Taxpayer-supported Crown corporations and agencies:			
BC Buildings Corporation	5	51	5
BC Health Research Foundation	-	4	-
BC Pavilion Corporation	-	1	3
Forest Renewal BC	37	-	-
Legal Services Society	6	2	-
Okanagan Valley Tree Fruit Authority	-	10	-
Other	15	-	-
Less: expenses funded by ministry grants and transfers	-	(87)	(17)
	63	(19)	(9)
Total taxpayer-supported exit expense	**224**	**169**	**122**
Ministry non-exit restructuring expense - operating [2]	7	31	44
Ministry non-exit restructuring costs - capital [2]	-	1	11
Total taxpayer-supported restructuring costs	**231**	**201**	**177**
Commercial Crown corporation exit expense: [3]			
BC Hydro	-	37	8
BC Liquor Distribution Branch	6	26	(25)
BC Lottery Corporation	-	1	1
BC Rail	165	-	-
Insurance Corporation of BC	40	15	-
	211	**79**	**(16)**
Total government restructuring costs	**442**	**280**	**161**

[1] Includes one-time expenses relating to staffing, building occupancy and other restructuring activities that have no future value to government. See Table A2.11b for ministry details.

[2] Includes changes to ongoing operations which have a future benefit to government.

[3] Reflected in government's accounts as part of changes to investments in commercial Crown corporations.

Table A2.11b Consolidated Revenue Fund Restructuring Expense – 2003/04[1]

($ millions)	Restructuring Exit Expense[2] Workforce Adjustment	Accom-modation Restructuring	Other Restructuring	Total Exit	Non-Exit Restructuring Expense[3] Workforce Adjustment	Accom-modation Restructuring	Other Restructuring	Total Non-Exit	**Total**
Government Restructuring (All Ministries) Vote:									
Legislation	-	-	-	-	-	-	-	-	-
Officers of the Legislature	1.1	0.1	-	1.2	-	0.4		0.4	1.6
Office of the Premier	0.3	-	-	0.3	-	-	-	-	0.3
Advanced Education	0.4	-	-	0.4	-	-	0.1	0.1	0.5
Agriculture, Food and Fisheries	0.7	0.1	-	0.8	-	-	-	-	0.8
Attorney General	4.8	-	-	4.8	-	0.7	-	0.7	5.5
Children and Family Development	8.7	8.3	0.3	17.3	-	1.9	0.2	2.1	19.4
Community, Aboriginal and Women's Services	2.2	0.1	3.6	5.9	0.1	0.2	-	0.3	6.2
Education	0.3	-	-	0.3	-	0.3	0.1	0.4	0.7
Energy and Mines	0.7	-	-	0.7	-	0.1	-	0.1	0.8
Finance	1.5	-	-	1.5	-	0.3	-	0.3	1.8
Forests	5.9	6.5	-	12.4	0.1	6.2	0.9	7.2	19.6
Health Services	3.0	-	-	3.0	-	0.1	-	0.1	3.1
Human Resources	8.1	0.7	-	8.8	0.4	1.4	0.1	1.9	10.7
Management Services	4.6	-	-	4.6	-	2.3	0.1	2.4	7.0
Provincial Revenue	1.2	0.1	-	1.3	-	0.4	-	0.4	1.7
Public Safety and Solicitor General	7.7	3.7	0.5	11.9	-	14.9	0.1	15.0	26.9
Skills Development and Labour	1.0	-	-	1.0	-	0.2	0.1	0.3	1.3
Small Business and Economic Development	1.7	0.1	-	1.8	-	0.1	-	0.1	1.9
Sustainable Resource Management	4.3	0.4	-	4.7	0.3	0.8	0.3	1.4	6.1
Transportation	3.6	3.2	-	6.8	-	1.4	0.1	1.5	8.3
Water, Land and Air Protection	3.5	0.3	0.5	4.3	0.1	3.6	0.1	3.8	8.1
Other Appropriations	0.2	-	-	0.2	-	-	-	-	0.2
Cross-Government[4]	11.9	17.9	0.1	29.9	1.6	1.4	2.5	5.5	35.4
Total vote	**77.4**	**41.5**	**5.0**	**123.9**	**2.6**	**36.7**	**4.7**	**44.0**	**167.9**
Ministry Budgets:									
Health Services	0.9	-	5.9	6.8	-	-	-	-	6.8
Total from ministry budgets	**0.9**	**-**	**5.9**	**6.8**	**-**	**-**	**-**	**-**	**6.8**
Total	**78.3**	**41.5**	**10.9**	**130.7**	**2.6**	**36.7**	**4.7**	**44.0**	**174.7**

[1] Operating expenses only. Capital costs of $11 million are reflected on the balance sheet as part of tangible capital assets.

[2] Restructuring exit costs are non-recurring incremental expenses that provide no future benefit to the province, and are direct result of government's restructuring plan.

[3] Non-exit restructuring costs also result from the restructuring plan and include changes to ongoing operations which do have a future benefit to government.

[4] Cross-Government expense includes government-wide charges for enhanced pension eligibility and other transition costs not attributable to a specific ministry.

Table A2.12 Taxpayer-supported Entity Operating Statements – 1999/2000 to 2003/04

($ millions)	1999/2000	2000/01	2001/02	2002/03	2003/04
Taxpayer-supported Crown Corporations and Agencies:					
BC Transportation Financing Authority					
Revenue	400	477	466	419	604
Expense	(378)	(476)	(466)	(439)	(479)
	22	1	-	(20)	125
British Columbia Assessment Authority					
Revenue	65	65	66	66	65
Expense	(62)	(62)	(64)	(64)	(63)
	3	3	2	2	2
British Columbia Buildings Corporation					
Revenue	464	462	465	485	517
Expense	(419)	(411)	(428)	(433)	(470)
	45	51	37	52	47
British Columbia Ferry Corporation					
Revenue	443	457	473	490	-
Expense	(502)	(446)	(456)	(466)	-
Write-down of *PacifiCat* ferries	(240)	-	(40)	(53)	-
	(299)	11	(23)	(29)	-
British Columbia Housing Management Commission					
Revenue	228	228	260	263	279
Expense	(228)	(228)	(260)	(263)	(279)
	-	-	-	-	-
British Columbia Transit					
Revenue	120	120	118	136	138
Expense	(120)	(120)	(119)	(136)	(138)
	-	-	(1)	-	-
Legal Services Society					
Revenue	88	88	101	76	71
Expense	(87)	(87)	(95)	(73)	(69)
	1	1	6	3	2
Other taxpayer-supported Crown corporations and agencies					
Revenue	981	1,210	996	616	649
Expense	(1,028)	(1,229)	(1,257)	(615)	(625)
	(47)	(19)	(261)	1	24
Net operating statements of taxpayer-supported Crown corporations and agencies					
Revenue	2,789	3,107	2,945	2,551	2,323
Accounting adjustments	*(110)*	*(185)*	*(157)*	*(99)*	*(110)*
Net revenue	2,679	2,922	2,788	2,452	2,213
Expense	(3,064)	(3,059)	(3,185)	(2,542)	(2,123)
Accounting adjustments	*(21)*	*(21)*	*152*	*(105)*	-
Net expense	(3,085)	(3,080)	(3,033)	(2,647)	(2,123)
Net fiscal plan impact	**(406)**	**(158)**	**(245)**	**(195)**	**90**

Table A2.13 British Columbia Hydro and Power Authority
Five-Year Income Statement for the Years Ended March 31

($ millions)	2000	2001	2002	2003	2004
Revenue:					
Domestic	2,327.5	2,431.0	2,450.0	2,475.0	2,553.0
Electricity trade (gross)	1,129.1	5,458.0	3,861.0	1,932.0	1,924.0
	3,456.6	7,889.0	6,311.0	4,407.0	4,477.0
Expenses:					
Energy costs	1,354.9	5,162.0	4,407.0	2,426.0	2,633.0
Operating expenses	612.4	929.0	716.0	718.0	768.0
Depreciation	365.0	380.0	386.0	417.0	539.0
Finance charges	578.8	559.0	544.0	457.0	452.0
	2,911.1	7,030.0	6,053.0	4,018.0	4,392.0
Operating results	545.5	859.0	258.0	389.0	85.0
Restructuring costs	-	-	-	(37.0)	(8.0)
Customer profit sharing	-	(310.0)	-	-	-
Transfer (to) from RSA	(129.3)	(103.0)	145.0	66.0	21.0
Net income	416.2	446.0	403.0	418.0	98.0

Source: British Columbia Hydro and Power Authority.

Table A2.14 Liquor Distribution Branch
Five-Year Income Statement for the Years Ended March 31

($ millions)	2000	2001	2002	2003	2004
Provincial liquor sales	1,663.3	1,719.2	1,792.9	1,885.3	1,998.2
Less: Cost of sales [1]	864.8	891.6	929.6	981.0	1,061.7
Gross margin	798.5	827.6	863.3	904.3	936.5
Operating expenses	(188.4)	(197.9)	(231.9)	(254.9)	(218.3)
Other income	7.3	12.7	5.3	4.8	5.5
Net income	617.4	642.4	636.7	654.2	723.7

[1] Includes discounts and commissions.

Source: Liquor Distribution Branch.

Table A2.15 British Columbia Lottery Corporation
Five-Year Income Statement for the Years Ended March 31

($ millions)	2000	2001	2002	2003	2004
Gaming revenue	1,401.5	1,483.0	1,607.4	1,792.4	1,889.6
Less: Prizes and direct costs	745.9	796.1	863.5	987.0	1,015.0
Gross margin	655.6	686.9	743.9	805.4	874.6
Operating expenses (net)	(123.6)	(124.9)	(137.8)	(134.5)	(147.0)
Net income	532.0	562.0	606.1	670.9	727.6
Allocation of net income					
Government of Canada	7.2	7.4	7.6	7.8	7.9
Funding for provincial gaming programs	1.9	3.7	4.1	3.2	0.5 [1]
Transfers to charities/local governments	106.9	137.2	145.6	171.1	184.7
Contribution to provincial revenue	416.0	413.7	448.8	488.8	534.5
	532.0	562.0	606.1	670.9	727.6

[1] Commencing in 2003/04, the funding for most programs was provided by the ministry responsible for delivery from its voted appropriation.

Source: British Columbia Lottery Corporation.

Table A2.16 British Columbia Railway Company
Five-Year Income Statement for the Years Ended December 31 [1]

($ millions)	1999	2000	2001	2002	2003
Revenue	341.1	333.5	301.8	366.7	364.0
Expenses	271.3	293.1	266.6	301.2	285.5
Operating income	69.8	40.4	35.2	65.5	78.5
Non-operating expenses	(22.6)	(28.7)	(29.7)	(17.2)	(37.7)
Income from continuing operations before special charges	47.2	11.7	5.5	48.3	40.8
Special charges	(605.8) [2]	(8.0) [3]	(79.8) [4]	(118.9) [5]	-
Income (loss) from continuing operations	(558.6)	3.7	(74.3)	(70.6)	40.8
Results of discontinued operations	(23.5)	(10.4)	(32.6)	(13.6)	25.6
Net income (loss)	(582.1)	(6.7)	(106.9)	(84.2)	66.4

[1] Prior years are restated to be consistent with the current presentation.
[2] Asset impairment charge on northern British Columbia rail assets.
[3] Provision to reflect anticipated future costs of environmental remediation.
[4] Restructuring costs.
[5] Write-down of investment in Vancouver Wharves Limited Partnership.

Source: British Columbia Railway Company.

Table A2.17 Insurance Corporation of British Columbia
Five-Year Income Statement for the Years Ended December 31

($ millions)	1999	2000	2001	2002	2003
Revenue:					
Net premiums	2,382.4	2,387.0	2,447.1	2,628.5	2,859.5
Investment income	449.2	625.7	454.0	327.3	329.9
	2,831.6	3,012.7	2,901.1	2,955.8	3,189.4
Claims and expenses:					
Claims incurred	2,080.3	2,006.2	2,126.3	2,193.5	2,208.1
Prior years' claims adjustments	(238.2)	(266.3)	2.2	(24.8)	10.4
Net claims incurred	1,842.1	1,739.9	2,128.5	2,168.7	2,218.5
Claims operations expense	334.3	333.0	316.6	268.5	273.7
Operating costs - insurance	466.8	479.2	472.6	374.7	383.9
Operating costs - non-insurance	92.7	103.4	94.4	83.7	102.6
	2,735.9	2,655.5	3,012.1	2,895.6	2,978.7
Income before unusual items	95.7	357.2	(111.0)	60.2	210.7
Unusual items	-	(218.5) [1]	(139.5) [2]	(15.2) [3]	14.1 [4]
Net income (loss)	95.7	138.7	(250.5)	45.0	224.8

[1] Road Safety Dividend.
[2] Includes restructuring costs ($39.5 million) and a provision for a reduction in investment value ($100 million).
[3] Restructuring costs.
[4] Gain on sale of property and equipment.

Source: Insurance Corporation of British Columbia.

Table A2.18 Five-Year Provincial Debt Summary [1]

($ millions)	1999/2000	2000/01	2001/02	2002/03	Budget 2003/04	Actual 2003/04
Taxpayer-supported debt						
Provincial government direct operating	13,735	12,045 [2]	13,805	15,477	17,782	15,754
Education facilities [3]						
Schools	3,609	3,880	4,092	4,294	4,468	4,384
Post-secondary institutions	1,369	1,383	1,425	1,499	1,702	1,688
	4,978	5,263	5,517	5,793	6,170	6,072
Health facilities [3]	1,451	1,780	1,920	2,004	2,205	2,084
Highways, ferries and public transit						
BC Transportation Financing Authority	1,843	2,197	2,514	2,661	2,812	2,764
BC Ferries	24	21 [2]	19	-	-	-
BC Transit	79	75	79	87	82	83
Public transit [3]	952	948	936	930	923	914
SkyTrain extension [3]	488	836	1,044	1,105	1,170	1,119
Rapid Transit Project 2000 Ltd.	101	114	47	3	-	-
	3,487	4,191	4,639	4,786	4,987	4,880
Other						
BC Buildings	615	610	596	456	372	317
552513 British Columbia Ltd. (Skeena Cellulose Inc.) [4]	-	337	-	-	-	-
Social housing [5]	205	265	299	161	178	156
Homeowner Protection Office	34	71	113	123	134	129
Universities and colleges - fiscal agency loans	130	124	114	105	108	90
Other [6]	422	244	190	182	110	116
	1,406	1,651	1,312	1,027	902	808
Total taxpayer-supported debt	**25,057**	**24,930**	**27,193**	**29,087**	**32,046**	**29,598**
Self-supported debt						
Commercial Crown corporations and agencies						
BC Hydro	6,880	6,649	6,670	6,784	7,689	7,040
BC Rail	655	603	614	494	478	477
552513 British Columbia Ltd. (Skeena Cellulose Inc.) [4]	280	-	-	-	-	-
Columbia Basin Power Company [7]	94	93	120	118	243	215
Columbia Power Corporation	-	20	64	47	-	-
Liquor Distribution Branch	3	2	13	9	10	7
	7,912	7,367	7,481	7,452	8,420	7,739
Warehouse borrowing program	1,320	1,312	1,067	-	-	-
Total self-supported debt	**9,232**	**8,679**	**8,548**	**7,452**	**8,420**	**7,739**
Forecast allowance	-	-	-	-	**500**	-
Total provincial debt	**34,289**	**33,609**	**35,741**	**36,539**	**40,966**	**37,337**

[1] Debt is after deduction of sinking funds, unamortized discounts and unrealized foreign exchange gains/(losses), and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for 2004 and to reflect changes in underlying data.

[2] Effective March 31, 2000, the provincial government assumed responsibility for the fiscal agency loans of BC Ferries ($1,080 million) and 580440 British Columbia Ltd. (Vancouver Trade and Convention Centre) ($70 million). Although this resulted in a change to debt composition, debt totals were not affected.

[3] Represents government direct debt incurred for capital financing purposes.

[4] Based on a revised outlook for world pulp prices and its potential impact on the finances of 552513 British Columbia Ltd. (Skeena Cellulose Inc.), the company's debt was reclassified as being taxpayer-supported in 2000/01. In March 2002, the company's debt was assumed by the provincial government ($260 million) and by the minority shareholder ($94 million) as Skeena Cellulose Inc. was sold to the private sector.

[5] Includes the BC Housing Management Commission and the Provincial Rental Housing Corporation.

[6] Includes other taxpayer-supported Crown corporations and agencies, student loan guarantees, loan guarantees to agricultural producers, guarantees issued under economic development and home mortgage assistance programs, and loan guarantee provisions.

[7] A joint venture of the Columbia Power Corporation and Columbia Basin Trust.

Table A2.19 Five-Year Provincial Debt Summary – Supplementary Information

	1999/2000	2000/01	2001/02	2002/03	2003/04
Per Cent of GDP:			(per cent)		
Taxpayer-supported debt					
Provincial government direct	11.4	9.2	10.5	11.4	11.1
Education	4.1	4.0	4.2	4.3	4.3
Health facilities	1.2	1.4	1.5	1.5	1.5
Highways, ferries and public transit	2.9	3.2	3.5	3.5	3.4
Other debt	1.2	1.3	1.0	0.8	0.6
Total taxpayer-supported debt	20.7	19.0	20.6	21.5	20.8
Self-supported debt					
Commercial Crown corporations and agencies	6.5	5.6	5.7	5.5	5.4
Warehouse borrowing program	1.1	1.0	0.8	-	-
Total self-supported debt	7.6	6.6	6.5	5.5	5.4
Total provincial debt	**28.4**	**25.6**	**27.1**	**27.0**	**26.2**
Growth Rates:			(per cent)		
Taxpayer-supported debt					
Provincial government direct	12.4	-12.3	14.6	12.1	1.8
Education	8.3	5.7	4.8	5.0	4.8
Health facilities	13.2	22.7	7.9	4.4	4.0
Highways, ferries and public transit	-4.2	20.2	10.7	3.2	2.0
Other debt	-4.2	17.4	-20.5	-21.7	-21.3
Total taxpayer-supported debt	8.0	-0.5	9.1	7.0	1.8
Self-supported debt					
Commercial Crown corporations and agencies	-5.8	-6.9	1.5	-0.4	3.9
Warehouse borrowing program	100.6	-0.6	-18.7	-100.0	-
Total self-supported debt	1.9	-6.0	-1.5	-12.8	3.9
Total provincial debt	**6.3**	**-2.0**	**6.3**	**2.2**	**2.2**
Per Capita Debt:			(dollars)		
Taxpayer-supported debt					
Provincial government direct	3,424	2,982	3,385	3,761	3,799
Education	1,241	1,303	1,353	1,408	1,464
Health facilities	362	441	471	487	503
Highways, ferries and public transit	869	1,038	1,138	1,163	1,177
Other debt	351	409	322	250	195
Total taxpayer-supported debt	6,247	6,172	6,668	7,069	7,137
Self-supported debt					
Commercial Crown corporations and agencies	1,973	1,824	1,834	1,811	1,866
Warehouse borrowing program	329	325	262	-	-
Total self-supported debt	2,302	2,149	2,096	1,811	1,866
Total provincial debt	**8,549**	**8,321**	**8,764**	**8,879**	**9,003**

Note: Totals may not add due to rounding.

Table A2.20 Capital Spending and Debt Update Since the Third *Quarterly Report*

($ millions)	Change	Final Results
Capital spending – third quarter updated forecast		**2,319**
Taxpayer-supported		
Education – mainly delayed construction of school facilities	(24)	
BC Transportation Financing Authority – delayed spending	(29)	
Government operating – reduced ministry minor capital spending	(62)	
Other	(42)	**(157)**
Self-supported commercial		
BC Hydro – mainly deferred spending for the Vancouver Island generation project	(133)	
ICBC – reduced requirements and lower building improvements costs for Surrey Central City	(33)	
Other	(24)	**(190)**
Capital spending – actual		**1,972**
Provincial debt at March 31, 2004 – third quarter updated forecast		**37,328**
Taxpayer-supported debt		
Provincial government operating – improved results of the CRF and reduced working capital requirements	(268)	
Education and health facilities – mainly reduced capital spending	(67)	
Transportation – mainly delayed completion of the BC Rail partnership agreement	119	
Delayed completion of the BC Rail partnership – tax attributes guarantee not required	(255)	
Other – higher working capital requirements	2	
Total taxpayer-supported		**(469)**
Self-supported commercial		
Delayed completion of the BC Rail partnership agreement	477	
Other	1	
Total self-supported		**478**
Provincial debt at March 31, 2004 – 2003/04 *Public Accounts*		**37,337**

Table A2.21 Historical Summary Accounts Surplus (Deficit)

($ millions)	Consolidated Revenue Fund			Crown Corporations and Agencies	Joint Trusteeship Arrangements	Summary Accounts Surplus (Deficit) [1]	Surplus (Deficit) as a Per Cent of GDP
	Revenue	Expenditure	Balance				
1969/70	1,248	1,244	4	-	-	-	-
1970/71	1,373	1,274	99	-	-	-	1.0
1971/72	1,558	1,474	84	-	-	-	0.8
1972/73	1,772	1,675	97	-	-	-	0.8
1973/74	2,217	2,071	146	-	-	-	0.9
1974/75	2,769	2,779	(10)	-	-	-	(0.1)
1975/76	3,124	3,534	(410)	-	-	-	(2.1)
1976/77	3,785	3,691	94	-	-	-	0.4
1977/78	4,372	4,168	204	-	-	-	0.8
1978/79	4,853	4,582	271	-	-	-	0.9
1979/80 [1]	5,860	5,318	542	(88)	-	454	1.3
1980/81	5,982	6,239	(257)	45	-	(212)	(0.5)
1981/82	7,139	7,323	(184)	43	-	(141)	(0.3)
1982/83	7,678	8,662	(984)	(257)	-	(1,241)	(2.8)
1983/84	8,335	9,347	(1,012)	49	-	(963)	(2.0)
1984/85	8,807	9,801	(994)	172	-	(822)	(1.6)
1985/86	9,160	10,127	(967)	110	-	(857)	(1.6)
1986/87	9,463	10,624	(1,161)	526	-	(635)	(1.1)
1987/88	11,007	11,055	(48)	119	-	71	0.1
1988/89	12,570	11,834	736	194	-	930	1.3
1989/90	13,656	13,200	456	40	-	496	0.7
1990/91	14,236	15,010	(774)	107	-	(667)	(0.8)
1991/92	14,570	17,101	(2,531)	192	-	(2,339)	(2.9)
1992/93	16,172	17,858	(1,686)	210	-	(1,476)	(1.7)
1993/94	17,923	18,833	(910)	11	-	(899)	(1.0)
1994/95	19,506	19,953	(447)	219	-	(228)	(0.2)
1995/96	19,698	20,054	(356)	38	-	(318)	(0.3)
1996/97	20,126	20,241	(115)	(270)	-	(385)	(0.4)
1997/98	20,216	20,135	81	(248)	-	(167)	(0.1)
1998/99	20,306	20,581	(275)	(722)	-	(997)	(0.9)
1999/2000	21,911	22,161	(250)	405	-	155	0.1
2000/01	23,970	22,431	1,539	(69)	(52)	1,418	1.1
2001/02	22,844	24,859	(2,015) [2]	(748) [2]	1,464	(1,299)	(1.0)
2002/03	22,104	25,179	(3,075)	(124)	-	(3,199)	(2.4)
2003/04	23,525	25,278	(1,753)	414	-	(1,339)	(0.9)

[1] The provincial government began publishing summary financial statements in 1979/80. Figures for prior years are unavailable. For 1970/71 to 1978/79, the CRF balance is used in place of the summary accounts surplus/(deficit).

[2] Does not include the $256 million transfer to the CRF for the wind-up of Forest Renewal BC and Fisheries Renewal BC.

Table A2.22 Historical Revenue by Source – Consolidated Revenue Fund [1]

Year	Taxation	Natural Resource	Other Revenue	Contributions from Government Enterprises	Contributions from the Federal Government	Total
			($ millions)			
1984/85	5,015	721	886	360	1,825	8,807
1985/86	5,237	704	965	398	1,856	9,160
1986/87	5,354	658	979	448	2,024	9,463
1987/88	6,200	1,223	1,060	470	2,054	11,007
1988/89	6,973	1,272	1,729	447	2,149	12,570
1989/90	8,095	1,249	1,464	727	2,121	13,656
1990/91	8,702	1,171	1,433	834	2,096	14,236
1991/92	8,997	1,101	1,573	701	2,198	14,570
1992/93	9,897	1,264	1,580	1,016	2,415	16,172
1993/94	11,101	1,772	1,733	1,048	2,269	17,923
1994/95	11,937	2,244	1,835	1,028	2,462	19,506
1995/96	12,509	2,026	1,801	968	2,394	19,698
1996/97	13,094	2,186	1,743	1,148	1,955	20,126
1997/98	13,103	2,197	1,799	1,280	1,837	20,216
1998/99	13,134	1,829	1,831	1,362	2,150	20,306
1999/2000	13,364	2,517	1,889	1,454	2,687	21,911
2000/01	13,880	3,975	1,863	1,500	2,752	23,970
2001/02	13,652	3,108	1,913	1,437	2,734	22,844
2002/03	11,846	3,255	2,209	1,517	3,277	22,104
2003/04	13,219	3,616	2,332	1,371	2,987	23,525

[1] Revenue has been restated to reflect the government's accounting policy at March 31, 2004. Figures exclude dedicated revenue collected on behalf of, and transferred to, Crown corporations and agencies. These revenues are included as part of the operations of the Crown corporations and agencies. Figures are based on *Public Accounts* information.

Table A2.23 Historical Expense by Function – Consolidated Revenue Fund [1]

Year	Health	Social Services	Education	Transportation	Debt Servicing	Other [2]	Total
			($ millions)				
1984/85	3,042	1,266	2,455	1,263	275	1,500	9,801
1985/86	3,161	1,298	2,385	1,157	342	1,784	10,127
1986/87	3,446	1,298	2,495	905	384	2,096	10,624
1987/88	3,684	1,349	2,663	928	525	1,906	11,055
1988/89	4,012	1,440	2,920	844	530	2,088	11,834
1989/90	4,502	1,496	3,228	1,199	457	2,318	13,200
1990/91	5,028	1,669	4,113	1,188	478	2,534	15,010
1991/92	5,617	1,994	4,521	1,262	590	3,117	17,101
1992/93	6,003	2,366	4,804	1,078	736	2,871	17,858
1993/94	6,287	2,704	4,984	1,024	844	2,990	18,833
1994/95	6,584	2,890	5,252	907	931	3,389	19,953
1995/96	6,778	3,033	5,492	852	887	3,012	20,054
1996/97	7,038	2,969	5,750	844	867	2,773	20,241
1997/98	7,224	3,048	5,766	770	834	2,493	20,135
1998/99	7,479	3,113	5,825	790	838	2,536	20,581
1999/2000	8,018	3,093	5,922	1,697	835	2,596	22,161
2000/01	8,754	3,212	6,299	611	889	2,666	22,431
2001/02	9,858	3,385	6,790	701	761	3,364	24,859
2002/03	10,377	3,096	6,817	750	711	3,428	25,179
2003/04	10,607	2,807	6,813	819	738	3,494	25,278

[1] Expense has been restated to reflect the government's accounting policy at March 31, 2004. Figures are based on *Public Accounts* information.

[2] Other includes: protection of persons and property, natural resources and economic development, general government and other expenses.

Table A2.24 Historical Provincial Debt Summary [1]

Year	Taxpayer-Supported Debt						Self-Supported Debt [3]	Total Provincial Debt	Total Debt as a Per Cent of GDP	Taxpayer-Supported Debt as a Per Cent of GDP
	Provincial Government Direct Operating	Education Facilities Capital Financing	Health Facilities Capital Financing	Highways, Ferries and Public Transit	Other [2]	Total Taxpayer-Supported Debt				
	(millions)								(per cent)	
1969/70	-	338	42	142	100	622	1,661	2,283	24.7	6.7
1970/71	-	362	64	172	99	697	1,808	2,505	25.6	7.1
1971/72	-	380	85	233	95	793	1,948	2,741	24.9	7.2
1972/73	-	408	105	288	87	888	2,062	2,950	23.8	7.2
1973/74	-	425	117	340	145	1,027	2,228	3,255	21.1	6.7
1974/75	-	485	133	386	149	1,153	2,650	3,803	21.3	6.5
1975/76	-	557	178	544	145	1,424	3,144	4,568	23.1	7.2
1976/77	261	658	236	649	188	1,992	3,787	5,779	24.4	8.4
1977/78	261	710	291	656	215	2,133	4,464	6,597	24.9	8.1
1978/79	261	778	334	653	91	2,117	4,838	6,955	23.3	7.1
1979/80	235	836	401	730	195	2,397	5,704	8,101	23.3	6.9
1980/81	209	919	461	729	270	2,588	5,956	8,544	21.6	6.5
1981/82	183	1,067	561	844	291	2,946	7,227	10,173	22.7	6.6
1982/83	883	1,204	660	1,024	894	4,665	7,692	12,357	27.4	10.4
1983/84	1,596	1,321	712	1,392	1,174	6,195	8,440	14,635	30.8	13.0
1984/85	2,476	1,308	717	691	1,276	6,468	9,082	15,550	31.2	13.0
1985/86	3,197	1,276	680	1,034	1,376	7,563	8,990	16,553	30.9	14.1
1986/87	4,802	1,268	681	1,097	812	8,660	8,485	17,145	30.3	15.3
1987/88	5,017	1,278	716	1,192	660	8,863	8,149	17,012	27.2	14.2
1988/89	4,919	1,322	763	1,213	842	9,059	7,396	16,455	23.7	13.1
1989/90	4,209	1,367	837	1,244	1,262	8,919	7,340	16,259	21.5	11.8
1990/91	4,726	1,565	959	1,287	1,281	9,818	7,444	17,262	21.8	12.4
1991/92	6,611	1,939	1,040	1,527	1,431	12,548	7,493	20,041	24.5	15.3
1992/93	8,969	2,426	1,141	1,719	1,641	15,896	7,526	23,422	26.8	18.2
1993/94	10,257	3,054	1,181	1,862	1,627	17,981	7,946	25,927	27.6	19.1
1994/95	10,181	3,631	1,318	2,158	1,749	19,037	8,013	27,050	26.9	18.9
1995/96	10,237	3,990	1,399	2,598	1,695	19,919	8,847	28,766	27.2	18.9
1996/97	11,030	4,230	1,431	3,144	1,440	21,275	8,096	29,371	27.0	19.5
1997/98	11,488	4,352	1,417	3,463	1,431	22,151	8,204	30,355	26.5	19.4
1998/99	12,217	4,597	1,282	3,641	1,467	23,204	9,057	32,261	27.9	20.1
1999/2000	13,735	4,978	1,451	3,487	1,406	25,057	9,232	34,289	28.4	20.7
2000/01	12,045	5,263	1,780	4,191	1,651	24,930	8,679	33,609	25.6	19.0
2001/02	13,805	5,517	1,920	4,639	1,312	27,193	8,548	35,741	27.1	20.6
2002/03	15,477	5,793	2,004	4,786	1,027	29,087	7,452	36,539	27.0	21.5
2003/04	15,754	6,072	2,084	4,880	808	29,598	7,739	37,337	26.2	20.8

[1] Debt is after deduction of sinking funds, unamortized discounts and unrealized foreign exchange gains/(losses), and excludes accrued interest. Government direct and fiscal agency debt accrued interest is reported in the government's accounts as an accounts payable. Figures for earlier years have been restated to conform with the presentation used for 2004 and to reflect changes in underlying data.

[2] Includes BC Buildings, BC Housing Management Commission, Provincial Rental Housing Corporation and other taxpayer-supported Crown corporations and loan guarantee provisions.

[3] Includes commercial Crown corporations and agencies and, beginning in 1995/96, funds held under the province's warehouse borrowing program.

Table A2.25 Provincial Taxes (as of July 2004)

Type and Statute Reference	Tax Base	Tax Rate	Characteristics and Exemptions
Income — *Income Tax Act*	Taxable Income (1) Corporate.	13.5% of taxable income (small business rate: 4.5%).	The Canada Revenue Agency administer both personal and corporate taxes under an agreement between the province and the federal government. Corporate tax credits include the scientific research and experimental development tax credit, book publishing tax credit and the film tax credit. In addition, the political contributions tax credit, royalty tax credit, the mining exploration tax credit, logging tax credit and venture capital tax credits are available to both individuals and corporations. BC provides a set of non-refundable credits equivalent to all federal non-refundable credits.
	(2) Personal.	Tax rates of 6.05%, 9.15%, 11.7%, 13.7% and 14.7% corresponding to tax brackets of up to $32,476, $32,476 to $64,954, $64,954 to $74,575, $74,575 to $90,555 and over $90,555.	BC Family Bonus and BC Earned Income Benefit are combined with the federal government's Canada Child Tax Benefit in a single monthly payment to families. Tax credits for claims against personal income taxes include the refundable sales tax credit, mining flow-through share tax credit and employee venture capital tax credits.
Capital — *Corporation Capital Tax Act*	Net BC paid-up capital.	Banks, trust companies and credit unions with net paid-up capital: greater than $1 billion — 3%; $1 billion or less or headquartered in British Columbia 1%.	Associated groups of corporations with net paid-up capital of less than $10 million are exempt from the tax. The tax rate is phased in for corporations with net British Columbia paid-up capital between $10 million and $10.25 million. There is a special flat fee for corporations above the exemption threshold but with net paid-up capital allocated to British Columbia below the threshold.
Real Property Transfers — *Property Transfer Tax Act*	Fair market value of property or interest in property transferred.	1% on the first $200,000 of value transferred and 2% on amounts in excess of $200,000.	Exemptions include: transfers of principal residences, recreational residences and family farms to related individuals; transfers of property between spouses pursuant to written separation agreements or court orders; transfers of property to local governments, registered charities and educational institutions; transfers of property to veterans under the *Veterans' Land Act* (Canada); transfers of land to be protected, preserved, conserved or kept in a natural state; and transfers of leases less than 31 years in duration. A number of technical exemptions are also provided. Eligible first time home-buyers are exempt from tax on transfers of eligible properties.
Retail Sales — *Social Service Tax Act*	Purchase and lease price of tangible personal property, repair labour and legal services.	General rate is 7.5%. Liquor 10%. Passenger vehicles: under $47,000 — 7.5%; $47,000 to $48,000 — 8%; $48,000 to $49,000 — 9%; over $49,000 — 10%.	Collected through vendors and lessors registered under the act and paid by purchasers and lessees. The exemptions generally fall into four categories: (1) items considered to be basic necessities of life such as food and prescription and non-prescription drugs; (2) specified inputs for certain sectors to enhance competitiveness such as the exemption for machinery and equipment used in manufacturing and in the natural resource industries and the exemption of specified equipment used by *bona fide* farmers, fishers and aquaculturists; (3) safety-related equipment designed to be worn by a worker, such as high-visibility vests and steel-toed boots, and specified general safety equipment such as life jackets; (4) energy conservation materials and equipment such as insulation material for buildings, and eligible wind, solar and micro-hydro equipment.
Accommodation — *Hotel Room Tax Act*	Purchase price of accommodation.	8%. Local governments may apply to have the province levy an additional tax of up to 2% on their behalf.	Exemptions include accommodation rented for a period in excess of two months; lodging provided in hospitals and nursing homes; lodging supplied to employees by employers; lodging on ships or trains; hotel rooms not used for accommodation; charges of $20 or less per day; charitable institutions; trailer parks and campsites; cabins without utilities and other amenities; and establishments with accommodation for less than four tenants.

Table A2.25 Provincial Taxes (as of July 2004) — Continued

Tobacco — *Tobacco Tax Act*	By cigarette, cigar retail price, and weight on other tobacco products.	17.9 cents per cigarette and tobacco stick; 77% of retail price on cigars to a maximum tax of $5 per cigar; 17.9 cents per gram of loose tobacco.	
Motor Fuel — *Motor Fuel Tax Act*			Tax generally applies to all fuels used in internal combustion engines. Qualifying persons with disabilities who own or lease a vehicle are entitled to refunds of provincial tax paid up to an annual maximum of $500. In the Vancouver Regional Transit service area the province collects an additional 6 cents per litre tax on clear gasoline and motive fuel on behalf of *Translink* to help fund regional public and private transportation system costs. In the Victoria Regional Transit service area the province collects (collected on behalf of) an additional 2.5 cents per litre on behalf of BC Transit to help fund the public transit system.
	Clear gasoline (unleaded gasoline only).	14.5 cents per litre. Includes 6.75 cents per litre collected on behalf of the BC Transportation Financing Authority. Of the tax collected in the Greater Vancouver Regional District, 6 cents is collected on behalf of *TransLink*.	
	Motive fuel.	15.0 cents per litre. Includes 6.75 cents per litre collected on behalf of the BC Transportation Financing Authority. Of the tax collected in the Greater Vancouver Regional District, 6 cents is collected on behalf of *TransLink*.	Tax applies to diesel fuel or a combination of fuels including diesel fuels, but does not include alternative motor fuels or coloured fuels. Refunds of 0.5 cents per litre are available for motive fuel used in private passenger vehicles.
	Alternative motor fuels.	Propane 2.7 cents per litre.	Natural gas and 85% methanol blends are exempt from tax. Ethanol is exempt from tax when blended with gasoline or diesel fuel if the ethanol portion is at least 5% but less than 25%. Biodiesel is exempt from tax when blended with diesel fuel if the biodiesel portion is at least 5% and not more than 50%.
	Coloured fuel, marine diesel fuel.	3 cents per litre.	Coloured fuel may only be used for specified primary production and industrial uses. *Bona fide* farmers are exempt from paying the tax when fuel is used for farming purposes.
	Locomotive fuel. Jet and aviation fuel.	3 cents per litre. 2 cents per litre.	Tax applies to fuel specifically for use in locomotives. Jet fuel tax applies to fuel produced specifically for use in a turbine aircraft engine. Aviation fuel tax applies to fuel produced specifically for use in a non-turbine aircraft engine.
	Natural gas used in stationary engines.	7% of price if purchased. 1.1 cents per 810.32 litres if used but not purchased.	Tax applies to natural gas used in stationary engines other than pipeline compressors.
	Natural gas used in pipeline compressors to transmit marketable gas.	1.9 cents per 810.32 litres.	Tax applies to natural gas used in a stationary engine at a pipeline compressor station.
	Natural gas used in pipeline compressors to extract and transmit raw gas from wells to processing plants.	Exempt	
	Natural gas used in compressors to re-inject sour gas into depleted wells.	Exempt.	
	Marine bunker.	Exempt	Exemption applies to bunker fuel, or a combination of bunker and other fuels used as fuel in a ship.
	Marine gas oil.	Exempt	Exemption applies to marine gas oil when used in primary gas turbine engines to propel passenger and cargo vessels.

Table A2.25 Provincial Taxes (as of July 2004) — Continued

Natural resources — *Logging Tax Act*	Net income from logging in BC	10% (fully recoverable against federal and provincial corporation and personal income tax).	Net income from logging after deducting non-forestry income and a processing allowance.
— *Mineral Land Tax Act*	Assessed value of freehold mineral land and production areas.	Undesignated mineral land — $1.25 to $4.94 per hectare. Designated production areas — $4.94 per hectare.	Rates of tax set on sliding scale, dependent on size and designation of land.
— *Mineral Tax Act*	Cash flow from individual metal and coal mines (other than placer gold mines).	2% of net current proceeds (NCP). 13% of net revenue (NR).	Tax calculated on a mine-by-mine basis. NCP tax paid on current operating cash flow until all current and capital costs, plus any investment allowance, are recovered. NR tax paid thereafter on cumulative cash flow. NCP tax creditable against NR tax.
	Volume of production of limestone, dolomite, marble, shale, clay, volcanic ash, diatomaceous earth, sandstone, quartzite and dimension stone.	$0.15 per tonne removed from all quarries operated.	An operator may deduct 25,000 tonnes from the total number of tonnes removed from all quarries operated by that operator. However the amount deducted from any one quarry by all operators of that quarry must not exceed 25,000 tonnes.
	Value of minerals sold by placer gold mines.	0.5% of value of minerals sold.	
Insurance — *Insurance Premium Tax Act*	Direct premiums written.	4.4% for vehicle and property insurance; 2% for life, sickness, personal accident and loss of salary and wages insurance and 4 percent for other insurance.	Exemptions — benefit societies; mutual corporations with 50% of income from farm or 100% from religious, educational or charitable institutions; marine, except pleasure craft; approved medical or hospitalization plans.
Real property — *Taxation (Rural Area) Act*	Assessed value of land and improvements in rural areas (outside municipalities). Assessment determined under the *Assessment Act*.	Rates are set annually as a percentage of assessed value. For residential properties the rates are set to increase average residential rural taxes by the rate of inflation. For 2004, the rates are 0.05% for farms and managed forest land; 0.095% for residential; 0.17% for recreational property/non-profit organizations; 0.37% for light industry, business and other property not contained in any other class; 0.42% for utilities; 0.45% for major industry and unmanaged forest land.	Some exemptions apply under various statutes.
Residential school tax — *School Act*	Assessed value of residential land and improvements. Assessment determined under the *Assessment Act*.	Rates are set annually to increase average gross residential taxes by the rate of inflation. The rates vary by school district. For 2004 rates range from about 0.224% to 0.9%; weighted average 0.33%.	Basic rates are calculated using a formula to moderate effects of varying average assessments on school district taxes. School districts may levy additional tax if authorized by local referendum. Amendments to the School Act in 2002 allow the Minister of Finance to apply different tax rates within a school district. Tofino is the only municipality with a rate that differs from the rest of the school district
Non-residential school tax — *School Act*	Assessed value of non-residential land and improvements. Assessment determined under the *Assessment Act*.	Rates are set annually. For 2004 the rates are 0.45% for recreational property/non-profit organizations; 0.23% for managed forest land; 0.68% for farms; 0.99% for light industry, business and other property not contained in any other class; 1.2% for unmanaged forest land; 1.25% for major industry; 1.5% for utilities.	Some exemptions apply under various statutes.

Table A2.26 Interprovincial Comparisons of Tax Rates – 2004 (Rates known as of June 30, 2004) [1]

Tax	British Columbia[2]	Alberta	Saskat-chewan	Manitoba	Ontario	Quebec	New Brunswick	Nova Scotia	Prince Edward Island	New-foundland
Corporation income tax (per cent of taxable income) [3]										
General Rate	13.5	11.5	17	15.5	14	8.9/16.25	13	16	16	14
Manufacturing Rate	13.5	11.5	10	15.5	12	8.9	13	16	7.5	5
Small Business Rate	4.5	3	5.5	5	5.5	8.9	3	5	7.5	5
Small Business Threshold ($000s)	300	400	300	360	400	n/a	400	250	250	250
Corporation Capital Tax [4]										
Non-financial	*Nil*	*Nil*	.6	.3/.5	.3	.6	.3	.25/.5	*Nil*	*Nil*
Financial	1.0/3.0	*Nil*	.7/3.25	3.0	.6/.72/.9	1.2	3.0	3.0	3.0	4.0
Health Care Premiums [5]										
Individual/family	54/108	44/88	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*	*Nil*
Payroll tax [6] (per cent)	*Nil*	*Nil*	*Nil*	2.15	1.95	4.26	*Nil*	*Nil*	*Nil*	2.0
Insurance premium tax (per cent) [7]	2-4.4	2-3	3-4	2-3	2-3.5	2-3	2-3	3-4	3.5	4
Fuel tax (cents per litre)										
Gasoline [8]	14.5	9.0	15.0	11.5	14.7	19.2	14.5	15.5	14.0	16.5
Diesel	15.0	9.0	15.0	10.9	14.3	20.2	16.9	15.4	13.5	16.5
Sales tax (per cent)										
General rate	7.5	*Nil*	7	7	8	7.5	8	8	10	8
Liquor	10	*Nil*	10	7	12	7.5	8	8	37.5	8
Meals	*Nil*	*Nil*	*Nil*	7	8	7.5	8	8	10	8
Accommodation	8	5	6	7	5	7.5	8	8	10	8
Tobacco tax (dollars per carton of 200 cigarettes) [9]	35.80	32.00	39.20	39.90	22.20	20.60	28.10	36.30	34.90	37.30

[1] Rates shown are those known as of June 30, 2004 and that are in effect for 2004.

[2] British Columbia rates are those announced in the February 17, 2004 Budget.

[3] Saskatchewan has announced a reduction in its small business rate to 5 per cent in 2005; and Manitoba plans to reduce its general rate to 15 per cent in 2005.

[4] Ontario has a deduction of $5 million for all corporations; Manitoba has a $5 million deduction and the higher rate applies to corporations with taxable capital in excess of $10 million; Saskatchewan has a $10 million deduction; Quebec has a $600,000 deduction. Large Saskatchewan resource corporations are assessed a surcharge on the value of Saskatchewan resource sales. Ontario and Quebec have an additional surcharge or compensation tax on financial institutions.

[5] British Columbia has a two-person rate of $96. British Columbia and Alberta offer premium assistance in the form of lower rates or an exemption from premiums for lower income individuals and families.

[6] Provinces with payroll taxes provide payroll tax relief for small businesses.

[7] The lower rate applies to premiums for life, sickness and accident insurance; the higher rate applies to premiums for property insurance including automobile insurance. In Ontario, Quebec and Newfoundland specific sales taxes also apply to insurance premiums, except those related to individual life and health.

[8] Tax rate is for regular fuel used on highways. The British Columbia rate includes 6.75 cents per litre dedicated to the BC Transportation Financing Authority. The rates do not include regional taxes. The Quebec rate includes estimated sales tax.

[9] Includes estimated provincial sales tax where applicable.

Table A2.27 Summary of Major Tax Changes Announced in 2004

Income Tax Act

- The BC Scientific Research and Experimental Development Tax Credit was extended for five more years to August 2009.

International Financial Activity Act

- The *International Financial Activity Act* (IFAA) was introduced to replace the *International Financial Business (Tax Refund) Act* and the *International Financial Business Act*. Under the IFAA, the international financial business program is broadened to include new financial activities, the range of corporations that are allowed to register is expanded, and the Greater Vancouver location restriction has been removed.

Home Owner Grant Act

- The threshold value at which the home owner grant begins to be phased out was increased to $585,000 from $525,000 beginning in the 2004 tax year.

Ports Property Tax Act

- On October 15, 2003, the province announced a Ports Competitiveness Initiative effective January 1, 2004. The initiative caps the municipal property tax rates for existing ports facilities at $27.50 per $1,000 of assessed value and for new investment in ports facilities at $22.50 per $1,000 of assessed value. Affected municipalities are compensated annually for the tax cap on existing ports facilities based on the impact of the cap in 2003. The initiative, which will be reviewed after three years, also provides a property tax exemption for berth corridors and a remission of school tax on berth corridors back to 2002.

Motor Fuel Tax Act

- Effective February 18, 2004, alternative motor fuel tax regulations were revised to improve the emissions reduction criteria and add an additional alternative motor fuel category.
- Effective July 1, 2004, the ethanol and biodiesel portions of fuels when blended with gasoline or diesel fuel are exempt. For the exemption, ethanol blends with gasoline or diesel must contain at least 5 per cent ethanol but no more than 25 per cent. Biodiesel blends must contain at least 5 per cent and no more than 50 per cent biodiesel.

Tobacco Tax Act

- As of December 20, 2003, the tax rate on cigarettes was increased to $35.80 from $32 per carton of 200 cigarettes and the tax rate on fine-cut tobacco was increased to 17.9 cents from 16 cents per gram.

Appendix 3
Constitutional Framework

Constitutional Framework

The structure of the British Columbia government is based on British parliamentary tradition and precedent. Prior to 1866, BC was composed of two British-controlled Crown colonies, one on Vancouver Island and a second on the mainland. In 1866, the Union Proclamation joined these two colonies to form the Crown Colony of British Columbia, and on July 20, 1871, BC entered into Confederation with Canada. Although the Colony of Vancouver Island had a parliamentary form of government as far back as 1856, the first fully elected government was not instituted in BC until the autumn after Confederation with Canada. Responsible government was achieved in late 1872, when the Lieutenant Governor acquiesced to an executive council that was responsible to the legislative assembly.

Upon entering Confederation, BC came under the authority of the *British North America Act, 1867 (BNA Act)*, a statute of the British parliament. Until 1982, the *BNA Act* defined the major national institutions and established the division of authority between the federal and provincial governments. In 1982, the *BNA Act* was renamed the *Constitution Act, 1867* and its amendments were incorporated into the *Constitution Act, 1982*. The *Constitution Act, 1982*, which also includes the Canadian Charter of Rights and Freedoms, is companion legislation to the *Canada Act, 1982*. With the passage of the *Canada Act, 1982*, the British Parliament ended its legal right to legislate for Canada. Canada, as a federal state, divides legislative powers between the federal and provincial governments.

Provincial Government

BC's government is modeled after the British system. Functionally there are three main branches: the legislature, the executive and the judiciary.

Legislature

Legislative powers in British Columbia are exercised by a single legislative chamber, which is elected for a term of four years. British Columbia, the first province in Canada to legislate fixed election dates, requires an election on the second Tuesday in May every four years. An election may also be called if the government loses a vote of confidence in the legislative assembly.

The legislature consists of the Lieutenant Governor and 79 elected members of the legislative assembly. The legislative assembly represents the people of BC in the conduct of the province's affairs. The assembly is required by law to meet at least once a year with a normal session lasting several months. However, special sessions can last just a few days or many months, depending on the nature of the government's business.

The legislature operates on a fixed schedule — the second Tuesday in February each year is reserved for the Throne Speech and the third Tuesday in February each year is reserved for the Budget Speech.

Executive

The executive is composed of the Lieutenant Governor and the executive council. The Lieutenant Governor is the Queen's representative in British Columbia and holds a largely ceremonial place in modern provincial government. By constitutional custom, the Lieutenant Governor is appointed by the Governor General of Canada for a term usually lasting five years.

The Lieutenant Governor, on the advice of the premier, appoints members of the executive council and is guided by the executive council's advice as long as it holds the confidence of the legislative assembly. Following a general election, the Lieutenant Governor calls upon the leader of the political party with the largest number of elected members to serve as premier and to form the provincial government.

The Lieutenant Governor, on recommendation of the premier, convenes, prorogues and dissolves the legislative assembly and gives Royal Assent to all measures and bills passed by the assembly before they become law.

The executive council, or cabinet, is headed by the premier and is composed of selected members of the ruling party. Ministers are the head of government ministries, and are usually members of cabinet.

Cabinet determines government policy and is held responsible by the legislative assembly for the operation of the provincial government. Deputy ministers are the chief operating officers of ministries and are appointed by cabinet. Deputy ministers are responsible for carrying out government policies and for managing the work of their ministries.

Judiciary

The judiciary performs functions that are central to the orderly operation of society. Judges hear and give judgment in criminal prosecutions and in actions arising from disputes between private citizens or between the government and private citizens. Judges apply both judge-made law, known as "common law," and laws made by the Parliament of Canada and provincial legislatures. The judiciary is increasingly called on to determine whether laws passed by governments conform to the values expressed in the Canadian Charter of Rights and Freedoms.

BC's judicial system is made up of the Provincial Court of British Columbia, the Supreme Court of British Columbia and the Court of Appeal of British Columbia. The Provincial Court includes Small Claims, Adult Criminal, Youth and Family divisions. The provincial government appoints Provincial Court judges, and the federal government appoints Court of Appeal and Supreme Court judges.

The federal judicial system includes the Tax Court of Canada, the Federal Court of Canada (Appeals division and Trial division) and the Supreme Court of Canada. The Federal Court of Canada hears cases in limited areas

of exclusively federal jurisdiction, for example, reviewing decisions made by federal tribunals such as the Canada Labour Relations Board. The Supreme Court of Canada is the court of final resort and hears selected appeals from the Federal Court of Appeal and provincial Courts of Appeal.

Provincial Government Jurisdiction

Under Canada's constitutional framework, BC has ownership and jurisdiction over natural resources and is responsible for education, health and social services, municipal institutions, property and civil rights, the administration of justice and other matters of purely provincial or local concern.